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GOVERNMENT OF INDIA.

FINANCE AND COMMERCE DEPARTMENT.

PAPERS

RELATING TO

CHANGES IN THE INDIAN CURRENCY SYSTEM.

108553

[REPRINTED FROM THE "GAZETTE OF INDIA" AND SUPPLEMENT, DATED THE 26TH JUNE 1893.]

SIMLA:

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1893.

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GOVERNMENT OF INDIA.

FINANCE AND COMMERCE DEPARTMENT.

Proposals for Changes in the Indian Currency System.

No. 2665, dated the 26th June, 1893.

Ordered, that the papers mentioned in the following list relating to proposals for changes in the Indian Currency system be published for general information in the Supplement to the *Gazette of India*:

J. F. FINLAY,

Secretary to the Government of India.

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1.	From the Bengal Chamber of Commerce, No. 83, dated the 4th February 1892, referring to the telegraphic announcement that the United States had invited the Powers to a Monetary Conference, and enquiring whether the Government of India proposed to take any action with reference to the position of silver in India if the Conference should be a failure, and America should be forced to repeal the Act providing for purchases of silver by the Treasury	7
2.	Reply from the Government of India, No. 571, dated the 10th February 1892, stating that Government were unable to offer any assurances as to the course they might take in a hypothetical case, and asking for any recommendations which the Chamber might desire to make	*ib.*
3.	From the Bengal Chamber of Commerce, No. 113, dated the 18th February 1892, suggesting that the Government should promote the holding of an International Conference and offer inducements to bring about agreement thereat; and, if the attempt should fail, that Government should cause the question of the introduction of a gold standard in India to be considered by competent authorities	7—8
4.	From the Government of India to Her Majesty's Secretary of State for India, No. 68, dated the 23rd March 1892, forwarding the foregoing correspondence recommending that His Lordship should lend his strongest support to any proposals for an International Conference, and that Her Majesty's Government should carefully consider beforehand the measures required to protect India against future oscillations in the relative value of gold and silver in view to the possible future action of the United States if international agreement should not be arrived at	8—9
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7.	From the Government of India to the Secretary of State for India, No. 160, dated the 21st June 1892, expressing the opinion that if the International Conference should not arrive at a satisfactory conclusion in the adoption of a system of double legal tender by international agreement and a direct agreement between India and the United States should be unattainable, the Government of India should at once close their mints to the free coinage of silver and arrange for the introduction of a gold standard ...	9—11
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1.] No. 83—92, dated 4th February 1892.

From—S. E. J. CLARKE, Esq., Secretary to the Bengal Chamber of Commerce,

To—The Secretary to the Government of India, Finance and Commerce Department.

I am desired by the Committee of the Chamber of Commerce to state that their attention has been directed to the telegrams recently received from Europe to the effect that America had invited the different Powers to a conference for the purpose of considering the silver question.

I am also directed to enquire whether, in the event of the proposed conference being unable to fix a ratio between silver and gold, and America being forced to abandon her present Bill dealing with the purchase of silver, the Government of India propose to take any action with reference to the position of silver in this country.

2.] No. 571, dated 10th February 1892.

From—J. F. FINLAY, Esq., Secretary to the Government of India, Finance and Commerce Department,

To—The Secretary to the Bengal Chamber of Commerce.

I am directed to acknowledge receipt of your letter No. 83—92 of 4th February 1892 stating that the attention of the Chamber has been directed to the telegrams recently received from Europe to the effect that America had invited the different Powers to a conference for the purpose of considering the silver question, and enquiring whether, in the event of the proposed conference being unable to fix a ratio between silver and gold, and America being forced to abandon her present Bill dealing with the purchase of silver, the Government of India propose to take any action with reference to the position of silver in this country.

2. In reply, I am to say that it would be impossible for the Government of India to offer any assurance as to the course which they might take in a hypothetical case, which would only arise upon the assumption (i) that the conference referred to in Reuter's telegrams is held; (ii) that it is unable to fix a ratio between the two metals; and (iii) that America thereupon determines to abandon the legislation under which the State is at present compelled to purchase certain amounts of silver.

3. I am, however, to add that the Government of India recognises the great importance of the subject to which you have invited their attention, and will be glad to be favoured with any recommendations which, in view of the possibilities referred to, the Chamber may desire to make.

3.] No. 113—92, dated 18th February 1892.

From—S. E. J. CLARKE, Esq., Secretary to the Bengal Chamber of Commerce,

To—The Secretary to the Government of India, Finance and Commerce Department.

I am directed by the Committee of the Chamber of Commerce to acknowledge receipt of your No. 571 of the 10th instant on the subject of the recent fluctuations in the relative value of gold and silver, and the inconvenience to legitimate trade which has resulted therefrom, and the uncertainty which exists as to the future exchange value of the rupee.

2. The fluctuations in the Indian exchanges to which the Committee desire to invite special attention are the great rise which took place in 1890 and the great fall which has taken place in 1891 and the first month of the present year 1892.

In 1890 Demand Bills on London rose from 1·4$\frac{7}{8}$ to 1·9, and since then have fallen to 1·3$\frac{3}{4}$.

It is, in the opinion of the Chamber, impossible for men of business to feel any confidence in the future value of the rupee, and they believe that such a state of things restricts the investment of capital in this country and seriously hampers legitimate enterprise.

3. It appears to the Committee that there is no complete remedy for these great and rapid fluctuations in the exchange between India and England, except either the establishment by international agreement of a system of free coinage of both metals at a fixed ratio, or the adoption of a gold standard by India.

Some hold that a partial remedy would be found in the adoption of a silver standard by the United States of America, which would have the effect of steadying the value of silver in relation to gold, and of preventing so great a fall in the price of silver as would otherwise occur; while others hold a contrary opinion.

4. Failing these remedies, the Committee see nothing in the future except the gradual demonetization of silver by one country after another, violent and endless fluctuations in the relative value of gold and silver, and a fall in the value of the rupee relatively to gold, the extent of which it is impossible to predict. The recent decision of the Austro-Hungarian Government to adopt a gold standard indicates very clearly what is likely to happen if special measures are not adopted to settle the question.

5. Under these circumstances the Committee experiences considerable difficulty in making definite recommendations, as it is necessarily not so well informed as to the probable action of Foreign Governments as the Government of India must be.

6. The remedy which would be attended with least risk appears to the Committee to be an international agreement for the free coinage of gold and silver at a fixed ratio, and the nearer such ratio might be to the market rate of the day, the less would be the immediate disturbance of trade.

7. The Government of India will no doubt be able to form its own opinion as to the probability of any such agreement being arrived at either in the present day or at some future time.

8. While the Committee are of opinion that the adoption of free coinage of silver in America might not have the effect expected by many, still it appears to them that the Government of India would be following a safe policy in promoting the holding of an International Conference on the subject, and in offering such inducements as it reasonably can to bring about an international agreement.

9. If success cannot be secured in this way, there appears to be nothing before us but the prospect of endless fluctuations in the relative values of silver and gold, attended with a fall in the value of silver of indefinite amount; and the Committee think that in such case the Government of India should take steps to have the question of the advisability of introducing a gold standard into India carefully and seriously considered by competent authorities.

No. 68, dated 23rd March 1892.

From—The Government of India,

To—The Secretary of State for India.

We have the honour to forward, for Your Lordship's information, a copy of the correspondence noted on the annexed schedule with the Bengal Chamber of Commerce, in which the Chamber enquires what we propose to do with reference to the heavy fall in the value of the rupee which has followed on the fall in the price of silver in the United States.

2. Your Lordship is aware of the anxiety with which we regard this question, and of its high importance in our estimation as affecting the interests of India. We have at various times—for instance, in our letters No. 45 of the 2nd February 1886 and No. 277 of the 4th September 1886—fully expressed our views on the subject, and it is unnecessary to repeat them here. But we desire to say that the violent oscillations in the price of silver since 1890 and its rapid decline during the last year to the lowest point yet reached cause us, as they have caused the mercantile community, the gravest anxiety for the future.

3. We are desirous, as we have always been, of aiding in the settlement of the silver question by international agreement, and, if proposals should be made

by the United States or by any other Government for the holding of an International Conference, we trust that Your Lordship will lend those proposals your strongest support.

4. In our opinion it is not open to question that, if an international agreement is not arrived at, the United States Government will sooner or later be driven either to the adoption of a silver standard or to the abandonment of its purchases of silver. It is certain that the cessation of the purchases of silver by the United States could not fail to depress still further the price of that metal, and the policy to be followed by India in that event deserves the most serious consideration on an early date.

5. The stoppage of the coinage of silver by the United States will probably, if it should come, come suddenly; and if we defer until it has taken place the consideration of the measures which in that event it may be expedient to adopt, we shall find ourselves unprepared and left with no time for due consideration.

6. We are, therefore, of opinion that the subject should be considered in all its bearings beforehand, and we recommend that, in view of the possible action of the United States in the future, Her Majesty's Government should now take into consideration the question whether any, and if so what, measures can be adopted for the protection of Indian interests against the further decline in the gold value of the rupee to which, for the reasons which we have given, we may be at any moment exposed, and the violent fluctuations in the relative value of gold and silver to which under present circumstances we cannot assign any limit either in time or in amount.

5.] No. 2138, dated 19th May 1892.

Telegram from—The Government of India,
To—The Secretary of State for India.

As Her Majesty's Government have accepted invitation of United States to International Conference on currency question, we earnestly trust that steps will be taken to secure an adequate representation of Indian interests at the Conference.

We desire to call Your Lordship's attention to paragraph 133 of Part II of the Final Report of the Gold and Silver Commission, and to suggest that, failing a general international agreement, it may be possible for India and the United States to come to a direct agreement as to coinage of silver.

We are deeply impressed with the dangers to which we shall be exposed if the proposed International Conference makes no progress towards a settlement of the question—a result which must weaken the silver party in America, and might lead to the cessation of the purchases of silver by that country.

We are of opinion that the time for a merely academic discussion of the problem is past, and urge that a determined effort be made to settle the question by the adoption of practical measures.

The present may be the last opportunity of settling the question by agreement among the nations concerned.

6.] Dated 20th May 1892.

Telegram from—The Secretary of State for India,
To—The Government of India.

Your telegram of 19th May—Silver Conference. I agree in the importance of proper representation of Indian interests. Whom would you suggest as delegate? I will bear in mind your observations.

7.] No. 160 (Confidential), dated 21st June 1892.

From—The Government of India,
To—The Secretary of State for India.

In our Financial despatch No. 68, dated 23rd March 1892, we requested Your Lordship to lend your support to any proposals that might be made by

the United States of America or by any other country for the settlement of the silver question by international agreement. At the same time we called attention to the probability that, failing an international agreement, the United States would be forced to stop the purchase and coinage of silver, and we requested that Her Majesty's Government, in view of this contingency, should now take into consideration whether any, and if so what, measures could be adopted for the protection of Indian interests.

2. Since that despatch was written, we have learnt with satisfaction that Her Majesty's Government have accepted the invitation of the United States to take part in an International Conference to consider measures having for their object the more extended use of silver as currency, and that Your Lordship agrees with us in the importance of Indian interests being properly represented.

At the same time we cannot overlook the strong opposition to the introduction of the system of double legal tender into Great Britain that has been manifested in certain quarters, and we observe with regret that the Conference has been summoned to consider the question of the more extended use of silver as currency, and not for the purpose of considering the adoption of an international agreement for the free coinage of gold and silver, and the making of both gold and silver coins legal tender at a definite and uniform ratio.

3. We fear that a refusal on the part of Great Britain to adopt the system of double legal tender may be fatal to an international agreement for the free coinage of both gold and silver on a sufficiently wide basis, and we believe that a limited increase of the quantity of silver used as currency will exercise a very trifling influence (if any) in raising, or preventing a fall in, the gold price of silver, while it will be wholly without effect in the far more important matter of preventing fluctuations in the relative value of the two metals. We greatly regret this state of affairs, both because we believe that no other country is so deeply interested in, or would benefit so greatly by, a uniform standard of value throughout the civilised world as Great Britain, with her vast system of trade and the great extent of her finance, and because the final rejection of an international agreement for free coinage of both gold and silver will leave this country face to face with a problem of the greatest difficulty.

4. If the forthcoming International Conference fails to arrive at a satisfactory decision regarding the silver question, we apprehend that it will very soon be necessary for the United States to decide either to accept a silver standard, or to abandon the purchase and coinage of silver on a scale in excess of what is required to keep up the necessary subsidiary coinage.

If the United States abandon the attempt to maintain the use of silver as standard money, there must be an immediate and very great fall in the price of silver, which would react on the Indian exchanges and increase indefinitely the rupee burden of our sterling obligations.

The recent fall in the rate of exchange has already imposed upon our finances a burden which we shall have some difficulty in meeting, and we cannot contemplate without dismay the prospect of another fall of indefinite amount, attended no doubt with great and sudden fluctuations in the gold price of silver, and to be followed possibly by further falls in the future.

It must also be remembered that, if the present conditions continue, the pecuniary difficulties of the Government of India will not be limited to the loss by exchange. The fall in silver causes distress to a very large number of our European officers of all services, but especially of the army, who have to remit money to their families in England. This distress is rapidly becoming acute. It has been borne hitherto with great patience. But, in the case we have just supposed, we shall, unless the efficiency of the services is to suffer, find it necessary to satisfy in a reasonable manner claims involving compensation to a large amount.

5. We have carefully reviewed all the circumstances of the case, and we desire to place on record, for Your Lordship's information, our deliberate opinion that if it becomes evident that the International Conference is unlikely to arrive at a satisfactory conclusion, and if a direct agreement between India and the United States is found to be unattainable, the Government of India should at

once close its mints to the free coinage of silver, and make arrangements for the introduction of a gold standard.

In arriving at this conclusion we have been mainly influenced by a consideration of the fact that the abandonment of silver by the United States of America would involve the perpetuation of all the evils from which we have suffered during the last twenty years, and possibly their perpetuation in an aggravated form, unless steps are taken for the establishment in India of a gold standard.

We believe that public opinion in India is ripe for the adoption of decisive measures; that the stoppage of the free coinage of silver would be generally approved; and that we might safely count on receiving every reasonable assistance from the commercial and banking classes in the attempt to introduce a gold standard.

6. We forward as an enclosure to this despatch a Minute by our Honourable Colleague Sir David Barbour, which gives an outline of the method he would propose to adopt for the introduction of a gold standard into India, if such a measure should become necessary. It will be seen that he does not support the proposal to stop the free coinage of silver if the Conference fails and a direct agreement between India and the United States is found to be unattainable; but that he would adopt that measure as soon as it is evident that the United States will not adopt the free coinage of silver.

7. Our Honourable Colleague Sir A. Miller fears that if all action be deferred until it is known to what conclusion the Conference will probably come, the effect of such knowledge on the silver market will be such as to make it then too late to act with effect. Failure on the part of the Conference to arrive at a satisfactory conclusion will find the Government of India in a very much worse position for introducing a gold standard, if it has not in the meantime taken steps to prepare the way by an alteration in the terms on which it coins silver for the public, than it is at the present moment. He thinks that measures ought to be taken at once which would enable the Government of India to close its mints against silver at any moment, and to introduce a gold standard if and whenever, from the course of proceedings at the Conference or otherwise, they may deem it desirable to do so.

8. It may, perhaps, be desirable to make known at some stage of the proceedings of the Conference our views regarding the introduction of a gold standard into India. But this question, as well as the question of the expediency of India negotiating directly with the United States of America, as suggested in our telegram * of 19th May, may stand over until the Conference has assembled and the Representatives of India are in a position to report what the prospects are of a satisfactory solution being attained.

* . . . We desire to call Your Lordship's attention to paragraph 133 of Part II of the Final Report of the Gold and Silver Commission, and to suggest that, failing an international agreement, it may be possible for India and the United States to come to a direct agreement as to coinage of silver . . . . We are of opinion that the time for a merely academic discussion of the problem is past, and urge that a determined effort be made to settle the question by the adoption of practical measures.

8.] Minute by the Hon'ble Sir David Barbour, K.C.S.I., dated 21st June 1892.

In dealing with the currency of British India it is necessary to draw a distinction between the active rupee circulation and the total number of rupees in existence. A large proportion of the rupees issued from the mints and not melted down are kept as permanent hoards and fulfil none of the functions of money. This distinction cannot, however, be sharply drawn, as rupees are always liable to pass from hoards into the active circulation, and *vice versâ*. What I call the active rupee circulation may be held to include all the rupees which at some period of each year are used as money.

The total active rupee circulation has recently been estimated at Rx. 115,000,000.

Without accepting these figures as more than an approximation to the truth, they are sufficient to show that a gold standard, with a purely gold currency, is impossible in India. To establish a gold standard in India, with a full legal tender currency composed entirely of gold, it would be necessary to withdraw from circulation about 1,150 millions of rupees, to melt them down

and sell them for what they would fetch as silver bullion, and then to replace them by about £77,000,000 worth of gold.

In the present conditions of India and of the silver and gold markets this would be an impossible operation.

Moreover, a gold standard with a purely gold currency of full legal tender coins would not suit India (even if it were possible to introduce it), because the gold coins would in practice be of too great value to suit the vast majority of Indian transactions.

2. It follows from what has been stated in the preceding paragraph that if we are to have a gold standard in India, a large proportion of the circulation must consist of silver coins, and these coins must be a legal tender to any amount. The example of France and other countries shows that it is possible to have a gold standard, although a large percentage of the circulation consists of overvalued silver coins which are legal tender to any amount.

In order that the gold standard may be effective, a limit must, however, be placed to the number of such coins, and they must be convertible into gold coins either without payment of premium or on payment of a trifling premium whenever any person wishes for gold coins in exchange for silver coins.

So long as the silver coins are freely exchangeable for gold coins in accordance with their face values, the gold standard is effectively maintained.

3. I have no doubt that even with a gold standard the people of India would in almost all their transactions prefer to employ silver rupees. It is improbable that a gold coin of less than Rs. 10 in value would be issued in India, and such a coin would be quite unsuited for ordinary Indian transactions. Rs. 10 represents generally much more than a cooly's wages for a month; and if a cooly received his wages in the form of a single coin, he would immediately exchange it for smaller coins. We could not pay our soldiers or police in gold coins. Payments to the opium cultivators could not be made in gold; neither could the ryots pay their rents in gold.

There would also be a not unreasonable dread among the common people that gold coins might be of light weight; they would generally be unwilling to accept them; and for monetary purposes in ordinary life gold coins would hardly be used. This would be the case, I believe, even if gold coins of the value of only Rs. 5 each were issued.

4. It may then be taken for granted that with a gold standard the great bulk of the Indian currency must continue to be silver rupees, and that for monetary purposes there would ordinarily be no considerable demand for gold coins in exchange for silver. On the contrary, the demand for monetary purposes would rather be for silver coins in exchange for gold coins. Gold coins would only as a rule be required in exchange for silver coins when gold was required for hoarding, for export, or to be melted down for ornaments.

It follows that with a gold standard India would require and would use a very large amount of silver rupees, and would neither require nor use a large number of gold coins.

Any gold coins that were put into circulation and were not melted down or hoarded would very quickly find their way into the hands of bankers and dealers in bullion, into the Government treasuries, and into the Paper Currency reserve.

5. For the purpose of introducing a gold standard into India we might stop the free coinage of silver, adopt measures for accumulating a store of gold, and when what was considered a sufficient stock of gold had been obtained, we might open the mints to the free coinage of gold, make gold coins a legal tender, and guarantee by means of our accumulated stock of gold the exchangeability of silver for gold coins according to their face values. I do not recommend this plan; the accumulation of a sufficient store of gold would be a measure too expensive for a country situated as India is, and when it had been accumulated, and the exchangeability of the silver coins for gold coins had been guaranteed by means of it, there would be a very great risk of the whole stock of gold being drawn away in exchange for silver rupees. If this should happen—and I think it would happen unless our stock of gold was very large indeed,—

the gold standard would cease to exist, and we should find ourselves exactly where we started.

6. The only measures for the introduction of a gold standard into India which seem to me feasible are the following:—

(1) The first measure would be the stoppage of the free coinage of silver. Government would retain the right of purchasing silver and coining it into rupees.

(2) The next measure would be to open the mints to the free coinage of gold. Any man bringing gold to the mints would be entitled to have it coined into gold coins, which would be legal tender, to any amount. It would be desirable to stop the free coinage of silver some time before opening the mints to the free coinage of gold. It would be a valuable guide to us in subsequent proceedings to know exactly what effect the stoppage of the free coinage of silver had on the gold value of the rupee.

The new gold coins might be a 10-rupee piece and a 20-rupee piece.

7. The weight and fineness of the gold coins to be issued from the mint would be such that the par of exchange between them and the sovereign would be the exchange which it was desired to establish between India and England.

For example, if we wished the rupee to be worth 1*s.* 4*d.*, the 10-rupee coin would contain as much gold as was worth (1*s.* 4*d.*) × 10 = 160 pence.

The quantity of fine gold in the 10-rupee piece would be $\frac{160}{240}$ths, or $\frac{2}{3}$rds of the quantity contained in the sovereign.

8. The question of the ratio at which we should change from the silver to the gold standard would require careful consideration.

We ought not to think of going back to the old ratio of 1 to $15\frac{1}{2}$. Neither ought we to adopt the very lowest price to which silver may have fallen at any time, or to consider ourselves bound to accept the market ratio of the very moment at which the change was made. A ratio based on the average price of silver during a limited period before the introduction of the gold standard would probably be both the safest and the most equitable.

9. We may be quite sure that on the introduction of the gold standard bankers and bullion dealers away from the Presidency towns, and perhaps in the Presidency towns, would charge something for changing silver coins for gold ones. The general public, however, would very seldom require to make such exchanges, and if all Government treasuries were required to give gold coins for silver coins whenever it was possible for them to do so, there could not be any considerable premium on gold coins so long as there were such coins in the public treasuries or in the Paper Currency reserve, and the gold standard would, subject to the above condition, be effectively maintained.

10. After the above measures had been carried out, it might happen that no gold was brought to the mints to be coined and put into circulation, and that the rupee fell in value below 1*s.* 4*d.*

Or it might happen that though gold was brought to the mints for a time and the rupee was worth 1*s.* 4*d.*, yet subsequently gold ceased to be brought to the mints, the gold coins disappeared from circulation, and the rupee fell below 1*s.* 4*d.*

If gold were not brought to the mint to be coined and put into circulation, or if gold coins disappeared and gold ceased to be brought to the mints, it would be a sign that the rupee currency was reduntant, or, in other words, that there were too many silver rupees in circulation; that consequently their value had fallen below 1*s.* 4*d.* each; that gold coins had been driven out of circulation; and that the gold standard was no longer effectively maintained.

The remedy in such case would be to contract the rupee currency, and to adopt any feasible measures for improving the general financial position of the country. An improvement in the general financial position would give increased confidence, and the reduction of the rupee currency, if carried far enough, must ultimately restore the value of that coin.

11. The greatest danger from the cause just indicated would arise immediately after the first introduction of the gold standard, and would be brought

about by silver rupees being returned into India from foreign countries, and by their being thrown into active circulation from Indian hoards. I think that Indian rupees would certainly be returned to India from abroad when their value in India became greater than their bullion value; but I now doubt very much if Indian rupees would be largely brought out of hoards. It is more likely that existing hoards of rupees would practically remain unaffected. I formerly held a different opinion on this point, and believed that rupees would be largely brought out of hoards when they were given a value exceeding that of the metal contained in them.

12. The reduction of the rupee currency in the manner just indicated, if it became necessary, might or might not prove a very expensive measure. It could, of course, be spread over a number of years; but, until it had been carried out to a sufficient extent, the gold standard would not be effectively maintained. When the rupee currency had once been sufficiently reduced, I should not expect any serious difficulty in the future.

Looking to the increase of population in India, to the rapid opening out of the country, and to the comparatively small part which credit plays in Indian trade, it may fairly be held that even with a gold standard an increase of the rupee currency would be required every year, and that increase I place at not less than Rx. 1,000,000 yearly. It might be considerably more—twice or three times as much. When the coinage of rupees was stopped, any redundancy of the silver currency would be diminished yearly by this amount without any action on our part. It is also not impossible that rupees would continue to be withdrawn from the active circulation to be hoarded as at present; they would certainly be hoarded by persons whose savings were small. This cause would still further reduce any temporary redundancy of the silver currency at first starting. Of course, while the reduction of the rupee currency was in progress, we would not have an effective gold standard; but even during that period of uncertainty I should expect the exchange with England to remain much steadier than it has been during the last few years. It would cease to be blown up and down by every breath of speculation, and if we could establish confidence in our measures, the rate of exchange would tend strongly towards the rate we had decided to maintain, and would only diverge from it under the pressure of real economic forces.

A nation that possessed a fairly satisfactory standard of value might well hesitate to expose itself, even temporarily, to the evils of an inconvertible standard; but no such argument applies in the case of India. We already labour under difficulties which are quite as great as those to which an inconvertible paper standard would expose us. The prospect of being unable for a time to effectively establish the gold standard need not, therefore, deter us from the attempt to do so if we see a prospect of success in the future.

13. It is also possible that under certain conditions of trade there might be more gold brought to the mint and put into circulation than was required for ordinary use as currency.

In that case the public would get rid of the gold coins by paying them into the Government treasuries. Gold might accumulate in these treasuries, and the Government could not in practice relieve the treasuries by forcing gold coins on persons who preferred to receive payment in silver.

The proper remedy for any such accumulation of gold would be for the treasuries to pass the gold coins into the Paper Currency reserve, which could absorb several millions without difficulty, and the Paper Currency reserve could be relieved, when necessary, by remitting the gold to England in payment of debts, its place being taken by silver rupees.

No serious difficulty arising from an over-supply of gold coins need, therefore, be feared.

14. It is important to consider what the additional demand for gold would be owing to the establishment of a gold standard in India.

Taking the active circulation at Rx. 115,000,000, I think that gold coins to the value of one-fifth of that amount would be an ample proportion of the active circulation for the purpose of maintaining the gold standard. This would be Rx. 23,000,000 worth of gold, or, say, £15,000,000 sterling. I believe that

the gold standard would be maintained effectively with a smaller amount of gold, and that gold in excess of £15,000,000 in the active circulation would be unnecessary, and might be a source of postive inconvenience. When we had arrived at normal conditions, the yearly additions of gold required for the active currency would be small, and would probably not exceed £200,000 yearly.

15. It is more than probable, however, that the substitution of a gold standard for a silver standard would lead to an increased use of gold instead of silver for hoarding. On the question of the extent to which this substitution of gold for silver would ultimately be carried I am unable to offer any opinion.

Silver is at present used for hoarding (as a store of value) and for ornament. When it ceased to be the monetary standard of India, it would be less suitable for hoarding, but it might continue to be largely hoarded in the form of rupees; and, on the other hand, silver bullion would fall considerably in value and price, and its greater cheapness would tend to increase its use for purposes of ornament. It must be uncertain to what extent gold would begin to take the place of silver for hoarding and ornaments after the establishment of a gold standard; but, in the first instance at any rate, the extent of the change would probably not be considerable.

It is held by some that if a gold standard were established in India, a great deal of the gold that is now hoarded or held in the form of ornaments would be brought to the mints, coined, and put into circulation. I have never been able to accept this theory. Why should a native of India give up his habit of hoarding, or an Indian lady cease to take a pleasure in the wearing or possession of gold ornaments, merely because the Government of India had established a gold standard?

There is, however, a large amount of gold imported into this country every year, and there must always be a considerable amount of gold in the hands of bullion dealers. I think that if we had an effective gold standard, it is very likely that all this gold, which is, as it were, waiting till the time for absorption arrives, would be coined and become part of the circulation for the time. To facilitate this result, I would propose not to charge any seignorage on gold coins.

16. In this paper I have dealt with the question of a gold standard for India from a practical point of view. Many objections, founded on considerations not of an immediately practical nature, may be raised to the introduction of a gold standard into India. Some of these objections appear to me to possess weight; others I believe to be imaginary. I have no hesitation in saying that an international agreement for the free coinage of both silver and gold, and for the making of them full legal tender at a fixed ratio, would be far better for India and all other countries than the establishment of the single gold standard, even if the latter course be possible.

Under the former system the worst result that could happen would be the disappearance of one of the metals from circulation; but this would only happen by the other metal taking its place and gradually driving it out, and under such circumstances all countries would have the same standard.

The general adoption of the system of double legal tender would be a perfectly safe measure, and would be a final settlement of the question. The attempt to establish a general gold standard is not free from risk. History affords instances of the establishment of a gold standard in one or more countries; but sooner or later the standard was changed. It may, however, be that the conditions of gold mining have so greatly changed that a gold standard can now be maintained for an indefinite period.

17. With regard to the question of the expediency of attempting to introduce a gold standard into India, I do not go further than saying that if a general agreement for the free coinage of both silver and gold at a ratio cannot be obtained, and if the United States does not adopt free coinage of silver, I think an attempt should be made to establish a gold standard in this country.

I believe that a perpetuation of the difference of monetary standards between England and her Indian Empire would be a source of incalculable mischief to both England and India, and that such a state of things should not be accepted until it has been proved by actual experiment to be absolutely u n avoidable.

9.] No. 92 (Financial), dated India Office, London, 2nd June 1892.

From—The Secretary of State for India,

To—The Government of India.

On the receipt of Your Excellency's letter dated the 23rd of March, No. 68, respecting the fall in the gold value of the rupee which has followed on the fall in the price of silver in the United States of America, I caused copies thereof to be laid before Her Majesty's Government in order that they might be fully aware of the importance of the question to the interests of India.

2. Your Excellency will have observed with satisfaction from a reply given by the Chancellor of the Exchequer on the 11th ultimo to a deputation which had an interview with him and the Prime Minister on the subject that Her Majesty's Government have decided to accept an invitation from the President of the United States to take part in a Conference which is about to be assembled in order to consider by what means, if any, the use of silver can be increased in the currency system of the nations.

3. A copy of a letter addressed to the Treasury on the 13th of May is enclosed for your information.

10.] No. 1420-F., dated India Office, 13th May 1892.

From—A. Godley, Esq., C.B., Under-Secretary of State for India,

To—The Secretary, Her Majesty's Treasury.

I am directed by the Secretary of State for India in Council to transmit, for the information of the Lords Commissioners of Her Majesty's Treasury, a copy of a letter* received from the Government of India on the subject of the very heavy fall which has recently occurred in the value of the rupee as measured in gold.

* 23rd March 1892, No. 68, with enclosures.

Their Lordships are well aware of the extreme importance of this question to the Government of India, whose views have been from time to time expressed in despatches published in the documents mentioned in the margin.† Viscount Cross does not desire at the present moment to discuss the question of the measures that it may become necessary to adopt, but he feels sure that the Government of India will peruse with satisfaction the report of the Chancellor of the Exchequer's speech on the 11th instant, in which he stated that Her Majesty's Government had decided to accept an invitation to take part in a conference assembled to consider whether any means can be adopted for increasing the use of silver in the currency of the nations.

† Parliamentary Papers, No. 449 of 1881; Command Paper, No. 4868; Royal Commission on Gold and Silver, 1887; 1st Report, Appendix No. 12.

As illustrating the enormous difficulty in adjusting the taxation in India to the expenditure which arises from the great fluctuations in exchange, I am desired to mention the following facts:—In December 1890 the rate of exchange was, with the concurrence of the Treasury, fixed for 1891-92 at 1*s.* 6½*d.* the rupee in agreement with the gold value of silver at that date; in about four months the rate for selling bills on India had fallen to 1*s.* 4¾*d.* the rupee, causing an increased charge in the remittances from India, estimated for the year then commencing, of Rx. 2,168,000. From the middle of February to the 18th March last, when the Budget for 1892-93 was under consideration, the value of the rupee ranged between 1*s.* 4*d.* and 1*s.* 3¾*d.*, and the Government of India adopted the higher of those two rates; within 11 days from the publication of the Budget, the market rate in India had fallen below 1*s.* 3*d.*, at which rate the drop of a penny in the rupee would cause an additional charge for remittance in 1892-93 exceeding Rx. 1,700,000.

Thus, within a few weeks the Government of India is liable to find itself exposed to the necessity of providing a sum greater than the whole of its receipts from either the customs duties or the assessed taxes, or from the recent increase of the duty on salt; and this result ensues from causes over which neither the Government nor the people of India have any control, but which arise for the most part from legislation, either actual or threatened, by other nations.

Nor is it only to the Government that this most serious inconvenience is caused. The disadvantage to trade in India is shown by the letter from the Bengal Chamber of Commerce, which the Government of India have forwarded; and there can be no doubt that it is equally felt by the merchants in the United Kingdom who have transactions with India. Any measures, therefore, which can bring about a comparatively stable rate of exchange are to be cordially encouraged in the interests of the people of India and of the mercantile community trading between this country and our Eastern possessions.

11.] Dated 24th June 1892.

From—The Hon'ble J. L. Mackay, c.i.e., President, Indian Currency Association,

To—The Secretary to the Government of India, Finance and Commerce Department.

I have the honour, on behalf of the Indian Currency Association, to enclose, for the information of His Excellency the Governor General in Council, copy of a memorial which is now in course of circulation for signature throughout India.

2. Although this Association was founded only last month, its branches have already spread all over the country, and its views and objects, as stated in the memorial, are endorsed and supported by all classes of educated and influential residents and inhabitants in India, native as well as European.

3. The process of obtaining signatures to the memorial will necessarily occupy some little time, as distances in India are so great. Meanwhile the International Conference proposed by the United States is about to meet and Parliament is about to be dissolved. It becomes necessary, therefore, that Her Majesty's Government should be promptly made acquainted with the state of public opinion in India on the question of the Indian currency and the necessity of imparting stability to the Indian monetary standard; and I beg respectfully to express the hope that the Government of India will transmit the memorial to Her Majesty's Government, and that His Excellency in Council will be pleased to give his warm support to the proposals put forth therein. The Association has learnt with great satisfaction from the recently published despatch of the 23rd March last to the Secretary of State for India that the Government of India, at the instance of the Bengal Chamber of Commerce, has already strongly represented to Her Majesty's Government the need for immediate consideration of the measures to be adopted in the event of the withdrawal of the United States from its present policy in regard to the currency; and I have therefore no doubt that the expression of Indian public opinion on this vital question will be cordially supported by the Government.

4. That the present system is an evil of great and growing magnitude admits of no doubt, and it is equally undoubted that a remedy should have long since been applied and is now urgently needed.

5. In considering the question of a remedy three courses present themselves—

(*a*) An international concert for the free use of silver as full legal tender money by all the nations represented in the Conference about to be held.

(*b*) Failing such international concert, an arrangement between the United States and India for the free coinage of silver in both countries.

(*c*) The adoption of a gold standard for India.

6. In regard to the first of these three courses, the Association has stated in its memorial that an international concert is impossible unless England adheres to it, and has urged that England should become a party to any such concert. Here I would respectfully observe that any arrangement short of an agreement for the introduction of silver as full legal tender money would be practically of no use as a remedy for the evils from which we suffer.

7. If the Conference should fail by reason of the abstention of England, as other Conferences have failed, to have any useful effect, the question occurs

whether an agreement between India and the United States could be effected. This question may, however, be dismissed without argument, for it is highly improbable that the United States would consent to enter into any agreement which would practically involve the displacement of gold by silver in that country, and the party opposed to even the present limited coinage of silver is so increasingly powerful that it is almost certain that the failure of the International Conference will be promptly followed by a repeal of the law under which the State Treasury now makes large purchases of silver. It is, moreover, very questionable, even if such an arrangement could be made, whether it would have the effect desired of ensuring stability in the exchange value of the rupee.

8. There remains only the third course, the adoption of a gold standard for India, and the memorial contains the prayer of its subscribers that the Government of India may be vested with full authority for the adoption of that course failing the only other feasible remedy, namely, international concert.

9. As international concert would in all probability be attainable if England did not consider it opposed to her own interests, it would only be fair and just that India in seeking a remedy should be allowed to do so with regard exclusively to the interests of India. This view was emphatically stated by those members of the Royal Commission on Gold and Silver who considered that a change in the English currency system would be to the disadvantage of England. They wrote:

"We think, however, that in the consideration of this [the proposal to establish a gold standard in India] or any other proposal of Indian legislation for removing the difficulties of that Government the interests of India should alone be considered. While we cannot recommend that the mother country should run any serious risk in altering its system of currency to assist the dependency, we think that the Government of the latter should be allowed a free hand to deal with the problem as it considers best in its own interests." (Final Report, Part II, paragraph 133.)

The justice and fairness of this view are manifest, and, on behalf of the Association, I respectfully trust that it would be strongly impressed upon Her Majesty's Government by the Government of India.

12.] Dated 13th June 1890.

To—The Honourable the Commons of Great Britain and Ireland in Parliament Assembled.

The petition of the Indian Currency Association, comprising all classes of the inhabitants of the Indian Empire—

HUMBLY SHEWETH,—That your petitioners suffer severe and increasing loss and distress in consequence of the present condition of the Indian Currency system, and that some remedy is urgently required.

That the condition of the system and its results to the people of India are described in the subjoined paragraphs of this memorial:

(1) In 1835, by a law passed by the Government of India, gold was demonetised and the silver rupee established as the monetary standard of value. From 1835 until 1872 the rupee exchanged with but slight variation for about two shillings, and so trifling indeed was the variation that in the official accounts for all purposes the rupee was invariably reckoned as equivalent to two shillings.

(2) During all this period silver was freely in use for currency and as a standard of value by all the European nations but England; and it is undoubtedly the truth that the maintenance of the par of exchange during this period, and even during the large production of gold following the discoveries of that metal in California and Australia, was due, firstly, to the free use of silver as current full legal tender money by the European nations; and, secondly, to its unrestricted coinage by them.

(3) At the end of 1871 Germany demonetised silver and established a gold standard. To prevent an overwhelming influx of the demonetised German silver France restricted the coinage of silver, and every other nation speedily adopted the same course. Many of the European nations have adopted gold as the standard of value as Germany did; and, though some have retained silver as full legal tender, they have either greatly restricted or absolutely ceased the coinage of the metal. Those who have retained silver as the standard have no active circulation of metallic money, whether gold or silver, the currency consisting of inconvertible notes.

(4) The result of this ejection of silver from use as currency is seen in the fall in the price of silver. From 60 pence per ounce the price has now fallen to between 39 and 40 pence, a decline of about 35 per cent; and the exchange value of the rupee has similarly declined from 24 pence to 15·25 pence, a fall over 36 per cent.

(5) This heavy fall has been a cause of great concern to all interested in the maintenance of stability in the ratio of value between gold and silver, and the subject has been repeatedly discussed in view to the application of a remedy.

(6) On every occasion the discussions have been fruitless, because England declined to join in the concerted action which alone could provide a remedy.

(7) An International Monetary Conference was held in 1867 with the object of increasing the number of countries comprised in the Latin Union and establishing an international monetary system on the basis of the free coinage of both gold and silver. England refused to adhere to the Union on any terms but the abolition of the double standard and the adoption of gold as the single standard. No practical results, therefore, followed this Conference.

(8) Another International Monetary Conference was held in 1878 on the proposal of the United States, its object being to maintain the employment of silver with that of gold as a standard. England was represented in this Conference only on the condition that she was not to be bound by its decisions, because she was determined not to permit the adoption of silver as a standard in her currency.

(9) A third International Monetary Conference was convened by France and the United States in 1881 to concert measures for the full use of silver as a standard of value in conjunction with gold. England was represented at this Conference also, but declined to promise more than that Her Majesty's Government would recommend to the Bank of England that one-fifth of the reserve held against the note circulation of the Issue Department of the Bank should consist of silver. This proposal was insufficient in itself, and it was also doubtful whether the Bank would consent to carry it into effect. The Conference therefore adjourned to meet the following year, but never met again.

(10) In 1876 the question was discussed with no practical result by a Select Committee of your Honourable House.

(11) It was again further discussed in 1885 by a similar Select Committee on the depression of trade and industry, and finally the question was considered by a Royal Commission in 1886. The members of that Commission were unanimously agreed that a double standard was practicable, but were equally divided as to the necessity of its adoption. They were further unanimously of opinion that in the circumstances the Government of India should be left free to adjust matters in the way that seemed to it best. No action was taken on their report.

(12) Meanwhile the price of silver has fallen still further, and the exchange value of the rupee is at present only 15¼ pence, and it is

probable that, if left to itself, it will fall further and more heavily. It has been repeatedly prophesied by eminent economists that the rupee could not fall below 20 pence; then that it could not fall below 18 pence; then that it could not fall below 16 pence. All these prophesies have been signally falsified, and, from the best information available, it is clearly useless to prophesy that there is any limit approaching its present value below which the price of silver cannot fall. There appears to be no reason, when silver is abandoned as regards its principal function—to serve as a material for currency—why the rupee should not fall to a shilling and still lower.

(13) The consequences of this persistent depreciation of the metal which still remains the standard of value for the Indian Empire, and of the violent fluctuations which are constantly, indeed daily, occurring in the exchange value of the rupee, have been of the gravest kind.

(14) The loss to the Government in paying its sterling obligations in England may be reckoned at eight hundred millions of rupees, or eighty million pounds sterling at par of exchange, since the commencement of the depression, and at the present rate of exchange the loss is upwards of eighty millions of rupees, or eight million pounds sterling at par of exchange annually. Each fall of a penny in the exchange value of the rupee aggravates this heavy burden by the addition of more than ten millions of rupees, or one million sterling at par.

(15) It is evident that the payment of sums of from eight to one hundred millions of rupees annually on account of exchange is a burden which would tax the financial resources of the most flourishing country in the world. The Government must find the money, and to find it additional taxation must be levied of a grievous and harassing character.

(16) The people of India are content to pay to the State in taxation all the money that is required for the due and orderly administration of the Empire, for its defence from foreign enemies, for the maintenance of internal peace and tranquillity, and for the progressive development of communications, public works, and the general resources of the country.

(17) But the taxation of eighty millions of rupees now annually taken from the people of India is applied to none of these objects; it serves no useful purpose; and it is wrung from the people merely because the Government of India has not been permitted to regulate the currency system of the Empire with reference to the interests of the country.

(18) If the currency had been so regulated there would either have been no necessity for such heavy taxation, or, if the money had been raised, it would have been applied to the reduction of debt, the more rapid extension of railways, of irrigation works, or other permanently useful objects.

(19) While all classes of the people suffer from the imposition on them of a load of taxation, the receipts from which are not applied to any useful or necessary purpose, each class suffers in its own particular way from the condition of the currency.

(20) The trading community are harassed by the uncertainty and the fluctuations of exchange to such an extent that legitimate trade is often replaced by speculative and gambling transactions; the importer is at a loss how to meet his engagements when exchange falls day by day; and the exporter is no gainer, for each fall in exchange is followed by an equivalent fall in the gold price of the commodities he exports.

(21) It may be said, indeed, that but for the fortunate accident that the Suez Canal was opened just as the depreciation commenced, enabling Indian goods to be taken expeditiously and cheaply to Europe, and but for the development of railway communications, which has enabled goods to be taken expeditiously and cheaply to the seaports, the trade of India would have been paralysed by these fluctuations, and this depreciation and the Empire would now have been in hopeless financial disorder and embarrassment.

(22) The investment of English capital in the development of the material resources of the Empire is discouraged; for, both as regards the remittance of interest and the final transfer of invested profits and economies, the continuous fall in exchange imparts to the investment of capital in this country a speculative character and a risk which the capitalist is naturally unwilling to face.

(23) The credit of the State is heavily injured by the depreciation in value of the rupee securities of the Government of India held in England and the uncertainty in the amount of interest in gold which may be obtained by their holders. English capitalists are naturally as reluctant to invest their money in these securities as they are to invest it in India.

(24) To the European officers of the Government, civil and military, and to all Europeans on rupee incomes, the depreciation of the standard has brought severe distress.

(25) To the European who has retired, whether from the service or from business, and whose pension or income is paid in rupees, the continued depreciation has brought the greatest hardship.

(26) It may be said generally that the retention of the silver standard, while it has been rejected by the Western nations, has been productive of nothing but evil to every class of the population in India, the only persons who may have benefited from time to time being those who have speculated for the fall.

(27) It is not urged that the silver standard is in itself unsuitable to India. If the silver standard was employed by other nations, its retention in India would be desirable. But it is entirely undesirable to retain the silver standard in a great Empire such as this, whose annual revenues amount to nine hundred millions of rupees, while its foreign trade amounts to nearly two thousand millions of rupees, when the standard has been rejected and repudiated by most of the nations of the world. For it must be borne in mind that a considerable proportion of the revenues is raised to meet obligations incurred in England, a country with a gold standard, and much the largest part of the trade is conducted with England and other countries with a gold standard.

(28) The people of India have long desired a re-establishment of the gold standard. Proposals for the introduction of that metal as the standard of value were pressed upon the Government of India as far back as 1859, and from that time onwards were repeated with persistence by the Chambers of Commerce and other public bodies for about fourteen years. Since 1873 the Government of India has repeatedly urged the acceptance of the double standard (gold and silver) by international arrangement in view to its introduction into India.

(29) None of these proposals were accepted, Her Majesty's Government having consistently declined, first to permit the introduction of a gold standard, and afterwards to aid in the international arrangements required for the effective introduction and maintenance of the double standard.

(30) The result is that India is still compelled to retain as her monetary standard a metal which during the last twenty years has been rapidly and continuously losing the characters that should attach to a standard of value, and which now possesses them no longer in any degree. Indeed, silver is now hardly more fit than tin or copper to be a standard and measure of value, and it is unjust to

the inhabitants of this Empire that its retention in that character should be insisted on.

Your petitioners, therefore, humbly pray that, in view of the considerations set forth above, your Honourable House will be pleased to direct the application of a remedy for their grievances by the introduction of a speedy reform in the Indian currency system.

Your petitioners represent that the introduction of the double standard can only be effected by international arrangement, but that international concert has hitherto been found impossible; that another International Conference is now about to meet; that it is of the most vital importance to the interests of the Government and people of this Empire that an arrangement should be arrived at; and that, therefore, every effort should be used on behalf of India to secure its success. If, however, the Conference should fail, like its predecessors, to arrive at a satisfactory solution of the questions referred to it, your petitioners pray that the Government of India may be fully empowered to take such measures as may to it seem fit for the adoption of the only remaining effectual remedy, namely, a gold standard; and your petitioners, having regard to the probability that the Conference will, like its predecessors, reach no practical issue, and that the price of silver will then be still more and incalculably depressed, further pray that the grant of power to the Government of India may be made now in view to its exercise without delay after the termination of the Conference.

And your petitioners, as in duty bound, will ever pray, etc., etc.

(*Here follow signatures.*)

13.] No. 183, dated the 12th July 1892.

From—The Government of India,

To—The Secretary of State for India.

We have the honour to forward copy of a letter from the President of the Indian Currency Association, dated the 24th June 1892, and of the memorial therein enclosed, which the Association proposes, when it has been fully signed, to present to the House of Commons. The President of the Association asks for the support of the Government of India and of Your Lordship to the prayer of the memorial that power should be conferred on the Government of India for the introduction, in the event of the failure of the International Conference about to be held, of such changes in the Indian Currency system as will give stability to the exchange value of the rupee.

2. Our views on this subject have been stated in our confidential despatch No. 160 (Financial), dated the 21st June 1892.

14.] No. 2843-A., dated 8th July 1892.

From—J. E. O'Conor, Esq., Assistant Secretary to the Government of India, Finance and Commerce Department,

To—The President of the Indian Currency Association.

I am directed to acknowledge the receipt of your letter, dated the 24th June 1892, forwarding copies of a memorial to Parliament, and asking for the support of the Government of India and the Secretary of State for India to the prayer of the memorial.

2. I am to say that the letter, with its enclosure, has been forwarded to Her Majesty's Secretary of State for India.

15.] No. 205 (Confidential), dated 2nd August 1892.

From—The Government of India,

To—The Secretary of State for India.

We have the honour to acknowledge the receipt of Your Lordship's telegram of 21th July, quoted in the margin, requesting our opinion as to the probable effects of the introduction of a gold standard into India.

Your Financial despatch No. 160—Gold standard. To enable me to form an opinion on your proposal, I require information as to the effect which change of standard would seem to have on prices in India as well as on import and export trade, industry, railways, land revenue, opium, gold and silver debt, etc. How would your proposal affect proposed claim for compensation?

Any discussion of the probable effects of such a change must, from the very nature

of the subject, be of a somewhat speculative character; and we would suggest, for Your Lordship's consideration, that a more satisfactory judgment on the general question of the probable effects of a change from a silver to a gold standard can be formed by examining the actual working of the gold standard in England, France, Germany, and other countries where that standard prevails, rather than by a consideration of any theoretical arguments which we may be able to bring forward.

From the fact that Roumania has recently adopted a gold standard, and that the Austro-Hungarian Empire is making arrangements to follow the same course, we infer that the working of the gold standard has been found by experience to be not unsatisfactory in Europe; and, if we are right in this view, we see no reason to doubt that gold would prove to be equally satisfactory as a monetary standard in India. In Java also we understand that the system we propose has not been injurious to the interests of that country. Six years ago it was held by a few persons that Java had suffered by comparison with the neighbouring countries which have a silver standard, but we believe that fuller experience has demonstrated this view to be erroneous, and that the change of standard has in no way arrested the development of trade and industry. Your Lordship, however, is in a position to obtain much fuller and more accurate information on these points than is at our disposal, and we will confine ourselves to stating the views which we hold on the specific questions which have been put to us in the telegram of 24th July.

2. It is generally recognised that money is required to perform four separate and important functions according as it is employed as (1) a medium of exchange; (2) a store of value; (3) a common measure of value; and (4) a standard of value for deferred payments.

We see no reason to doubt that as a medium of exchange gold supplemented by silver coins and notes would prove thoroughly satisfactory in India, while it is well suited for the purpose of storing value, since it possesses great value in little bulk, and appears less likely to depreciate than any other metal which could be adopted as the standard.

As a common measure of value gold would possess the inestimable advantage of giving India the same measure of value as England; the existence of a common monetary standard in England and in India would facilitate both the import and export trade by preventing excessive fluctuations in exchange; would encourage the flow of English capital to India, and would consequently facilitate the construction of railways by private enterprise and stimulate all industries; with gold as the Indian standard, the rate of interest payable on the present silver debt of India could also be largely reduced.

3. It is only with regard to the possible results of adopting gold as the standard of value for deferred payments that there can be any room for doubt regarding the expediency of the introduction of a gold standard into India.

On this point we have already said that Your Lordship is in the best position to form a judgment. If gold has proved to be a satisfactory standard of value for deferred payments in Europe, we see no reason why it should not be equally satisfactory in India.

It is, of course, possible for those who hold that there has hitherto been no appreciation of gold to argue that there might now be appreciation if India adopted a gold standard. We are not disposed to attach much force to this argument unless it can be shown that there has already been an injurious appreciation of gold in Western countries. If the adoption of a gold standard by Germany and the United States, and other countries of less importance, and the closing of the mints of the Latin Union to the free coinage of silver have not caused an injurious appreciation of gold, we do not apprehend that the adoption of a gold standard by India would be attended with serious results. We understand that the Austro-Hungarian Empire is preparing to adopt a gold standard, and that this example will probably be followed by other nations; and we see no reason to suppose that worse results would attend the adoption of a gold standard by India than have followed the change of standard in Germany or the United States, or than would now follow in the case of the adoption of a

gold standard by Austria-Hungary or any other country of equal extent. It will be obvious to Your Lordship that if the gold standard is to be universally adopted, India will be placed at a disadvantage if she is not allowed to make the change until every other country has supplied itself with the gold which it requires for this purpose.

4. Apprehensions have been expressed in many quarters that the introduction of a gold standard in India would involve a serious disturbance of existing contracts and financial obligations and a dangerous derangement of the course of trade. We desire, however, to have it clearly understood that if it were decided to adopt a gold standard in India, we should propose a rate for the transfer from silver to gold which did not greatly differ from the market ratio of the day. We are of opinion that in such case the adoption of a gold standard would not have any serious effect in lowering prices or reducing the rate of growth of the land revenue, and that it would not materially affect either the opium revenue or the burden of our gold or silver debt.

5. Even if we assume that there has been, or may hereafter be, some appreciation of gold, Your Lordship will not fail to observe that India, after substituting a gold standard for a silver one, will be in a better position to withstand the possible effects of any future appreciation than the countries which have always had a gold standard, or which have adopted a gold standard at the old ratio of 1 to $15\frac{1}{2}$ or 1 to 16. In the present day we should propose a ratio for conversion probably not greatly differing from 1 to 20, and India would consequently escape the effects of any appreciation of gold which may have wholly or partially led to the alteration of the ratio of value from 1 to $15\frac{1}{2}$ to 1 to 20. Such countries as England, Germany, France, and the United States would have to bear the cumulative effects of both the past and the future appreciation of gold; and if the prospect of a possible appreciation of gold does not afford sufficient reason to justify any modification of their standard, *à fortiori* such possibility of appreciation does not afford a valid excuse for preventing a change of standard in India on the conditions we have proposed.

6. In the telegram which we have quoted in the opening paragraph of this despatch Your Lordship enquires how our proposal would affect the proposed claim for compensation. We understand Your Lordship to refer to the remark in paragraph 4 of our despatch No. 160, dated 21st June last, in which we stated that the distress of large numbers of officers of our European services, owing to the fall in exchange, is rapidly becoming acute, and that, unless the efficiency of the services is to suffer, we may be compelled to satisfy claims involving compensation to a large amount. In reference to this matter, we desire to explain that if the ratio at which we pass from the silver to the gold standard approximates to the ratio now prevailing, the question of compensation will stand approximately where it stands at this moment, and that in any case there could be no further fall after the gold standard was effectively established, and consequently no claim for compensation on account of future falls in the exchange value of the rupee could arise such as we must expect if the exchange value is not fixed.

7. We take this opportunity of again calling Your Lordship's special attention to the extreme gravity of the present position—a position so fraught with danger that inaction involves at least as great risk and as much responsibility as would the undertaking of an enterprise even more hazardous than the introduction of a gold standard into India.

A great fall has already taken place in the value of the rupee as compared with the pound sterling, and sudden and violent fluctuations have been far from unfrequent. Nevertheless we have neither as yet seen the end of the fall, nor are we able to look forward to any time at which the fluctuations may be expected to cease.

On the contrary, if the approaching International Conference does not arrive at a satisfactory settlement of the question, we shall probably experience very shortly a still greater fall in value and more violent fluctuations than any that have occurred in the past. Without a change of standard, we can never hope to secure any guarantee against further falls and continual fluctuations.

It is under these circumstances that we have after full consideration proposed to Your Lordship that, on the occurrence of a certain contingency, immediate steps should be taken to introduce a gold standard into India, and we trust that our proposals will obtain Your Lordship's full support, and will be pressed on Her Majesty's Government in view to a prompt and final settlement of the question.

8. It would, we submit, be wholly unreasonable if, in face of the calamities which we are now experiencing, and of the still greater calamities which are likely to come upon us in the future, and of the fact that our difficulties must continue until England and India have the same standard of value, Her Majesty's Government were to prevent the Government of India from making an attempt to introduce a gold standard into this country on the ground of the actual or possible appreciation of gold, and were at the same time to refuse to support the proposal for a general system of double legal tender on the ground that there had been no appreciation of gold in the past, and that there was no likelihood of any such appreciation in the future. If Her Majesty's Government are not prepared to accept the proposals which we have advocated for more than ten years as the best remedy for our difficulties, we consider that they ought not now to refuse to let us adopt the only other remedy open to us, namely, the adoption of the same monetary standard as that of the country with which we have our most intimate financial and commercial relations, that standard being, as we understand, considered by Her Majesty's Government to have worked so satisfactorily in England that they are not prepared to encourage any hope of a departure from it being approved by them.

16.] No. 3083, dated 28th July 1892.

From—T. D. MACKENZIE, Esq., Chief Secretary to the Government of Bombay, Financial Department,

To—The Secretary to the Government of India, Finance and Commerce Department.

I am directed to forward herewith copy of a letter No. 2730, dated 2nd instant, from the Commissioner in Sind, together with a memorial from the leading native merchants in Karachi complaining of the injury done to their business and trade by constant fluctuations in exchange, for the favourable consideration of the Government of India and for such steps as they may be able and see fit to take in order to further the object of the petitioners.

2. I am to state that the Commissioner in Sind has been informed of the transmission to the Government of India of the papers submitted by him, and of the fact that the Supreme Government has already addressed Her Majesty's Secretary of State for India in March last on the subject of the debased value of the rupee.

17.] No. 2730, dated 2nd July 1892.

From—H. E. M. JAMES, Esq., Acting Commissioner in Sind,

To—His Excellency the Governor and President in Council, Bombay.

Yesterday evening a deputation of six of the leading native merchants in Karachi, representing the most influential trading communities, waited upon me with the enclosed memorial, in which they complain of the injury done to their business and trade by the constant fluctuations in exchange. Mr. Currie, the President of the Chamber of Commerce, accompanied the deputation, the spokesman of which, Mr. Yusuf Ali, presented me with the memorial. Your Lordship will observe that it bears the signatures of all the leading native firms in Karachi.

2. I informed the deputation that I would lose no time in submitting the memorial to Your Excellency, and that I was sure Your Excellency would forward it in turn to the Government of India. It would be entirely superfluous in me to comment upon it or to suggest a remedy for evils which, I am aware, have for many years engaged the serious attention of the Supreme Government.

But from what the members of the deputation personally told me, I am justified in stating that their losses have been unquestionably heavy, and that the instability of the rupee is felt by them as a serious impediment to trade. A low exchange, enabling gold to purchase a larger quantity of produce than when exchange was higher, may be a benefit to India; but when we find the native merchants of a great port like Karachi coming forward spontaneously to complain of the serious damage to their own trade by the uncertain value of silver, it is proof that a remedy, if one be practicable, is needed. The testimony afforded by this memorial may therefore, though in ever so small a way, afford an additional inducement to the Supreme Government to persevere in its efforts to obtain a fixed ratio between silver and gold.

18.] Dated 27th June 1892.

To—H. E. M. JAMES, Esq.,
Commissioner in Sind.

The humble memorial of HOTCHAND KHUSHALRAI and others, Native Traders of Karachi—

SHEWETH,—We, native traders of Karachi, born and bred to trade exclusively and having no other calling, are now in process of discovering that our occupation is likely to vanish altogether, unless something can be done to make the value of the money, by which our trade is carried on, permanent, or at least to free it from the violent and unintelligible fluctuations to which it is now apparently always subject.

You are aware that for the last three months we have in self-defence been compelled to combine to cease purchasing European commodities in our customary way. For this reason, that the moderate profit which we look to make we have found altogether inadequate to cover the risks and losses to which we are subjected by the constant change in the value of the rupee.

When we bought Manchester grey cloth two years ago on a basis of 1/4 $\frac{1}{4}$ exchange, we could have no idea that a loss of about 15 per cent. by the sudden rise in exchange would be inflicted upon us by causes altogether outside the normal fluctuations of our local market, and over which we had no control; nor could we have anticipated the causes which brought ruin to us through contracts we had entered into with exporting firms for wheat and seeds when the rupee was valued at 1/8 in English money. Then, as we say, the value of the rupee stood at *1s. 8d.*, but when we came to carry out these contracts its value had fallen to *1s. 6d.*, and we found that in consequence we had to provide more rupees with which to buy the produce to fulfil our contracts than we had agreed to take from the exporting firms.

To illustrate the risk we are subjected to, we have only to draw your attention to the fluctuations of the present month—

On the 2nd exchange was $1/3\frac{7}{16}$.
On the 9th exchange was $1/3\frac{14}{16}\frac{1}{2}$, giving a rise of $4\frac{1}{2}$ per cent.
On the 16th exchange was $1/3\frac{11}{16}$, giving a fall of $1\frac{3}{4}$ per cent.
On the 23rd exchange was $1/3\frac{7}{17}$, giving a further fall of $2\frac{3}{4}$ per cent.

What it will be to-morrow, and whether for loss or profit to us, we cannot say.

The hardship of our position is intensified by the fact that we can in no way protect ourselves from these losses, because, while we may sell with the knowledge we have of up-country supplies to exporting firms, it is impossible for us to buy against our contracts till the produce collected in small quantities in the districts is brought to market, and it is in this interval that the constant changing in the value of the rupee turns our legitimate trading transactions from safe business to purely speculative gambling.

It is this which makes us fear that, unless some means can be found to give steadiness of value to the rupee, let it be high or low, but steady, which will enable us, as in days gone by, to calculate with some certainty the result of our transactions, an absolute destruction of our trade must sooner or later overtake us.

We therefore beg that you will be graciously pleased to make a representation to Government urging the essential need of some steps being taken to put a stop to the intolerable uncertainty as to the value of the rupee.

And we will, as in duty bound, ever pray.

(*Here follow 77 signatures.*)

19.] No. 217, dated 16th August 1892.

From—The Government of India,

To—The Secretary of State for India.

In continuation of our despatch No. 183 of the 12th July last, we have the honour to forward, for Your Lordship's consideration, copy of a letter from the Government of Bombay, No. 3083, dated the 28th July 1892, and of the memorial therein enclosed, addressed to the Commissioner in Sind by the leading native merchants in Karachi, complaining of the injury done to their business and trade by the constant fluctuations in exchange.

20.] Dated 9th August 1892.

From—The Hon'ble J. L. Mackay, C.I.E. President, Indian Currency Association,

To—The Secretary to the Government of India, Finance and Commerce Department.

In continuation of my letter of 24th June last, I have now the honour to inform you that branches of this Association have been formed in every town of any importance in India, and that the petition to the House of Commons, copy of which was forwarded to you with my letter above quoted, has already been signed by over eight thousand persons.

2. The petition will shortly be sent home for presentation to Parliament at the earliest opportunity, and a printed list of those who have signed the petition will be prepared for the information of the Government of India. Meantime I sent for your information and inspection the signatures in original, which kindly return at your convenience. It will be observed that the petition has been signed by natives as well as by Europeans, the occupations of the signatories comprising amongst others the following:

Native noblemen and gentlemen.	Vakils.
Landholders.	Manufacturers.
Zemindars.	Employés of manufacturers.
Bankers.	Shipowners.
Merchants.	Employés of shipowners.
Brokers.	Railway managers.
Tradesmen.	Railway employés.
Tea, indigo, and coffee planters.	Employés of merchants.
Barristers.	Employés of tradesmen.
Solicitors.	Officers of the Army.
Pleaders.	Government servants.

Two-thirds of the members of the Bengal Chamber of Commerce, the most important commercial body in India, have signed the petition, as also have the Trades Association unanimously.

3. Since I had the honour of addressing you on 24th June last, the sterling value of the rupee has dropped from 1-$3\frac{3}{8}$ to 1-$2\frac{3}{4}$, and there is every prospect that it will still further fall.

4. The petition of the Currency Association unfortunately cannot be presented to, and considered by, Parliament probably for another three, possibly for another five, months; and, if no action is taken until Parliament re-assembles, the condition of affairs in this country may in the interval become very serious.

5. In your letter No. 2843-A. of 8th July you were good enough to state that my letter of 24th June, with copy of the petition of the Currency Association, had been forwarded to Her Majesty's Secretary of State for India for his consideration.

6. If a burning question of this nature had been agitating the public mind in England as the currency question has lately been agitating the public mind in India, opportunities would have arisen or would have been made to give the public an indication of Government's view on the subject. But so far there has

been no indication given of the views of the Government of India on this important question. It is believed, however, that Government cannot fail to be alive to the gravity of the situation, and in these circumstances I would venture to suggest that the feeling in India, as portrayed by the support which the petition to Parliament has received, should be communicated to the Secretary of State by wire in the hope that he may thereby be induced to give speedy consideration to the prayer of the petition that the Government of India be empowered to take such measures as they may think fit to adopt gold instead of silver as the standard for the currency of this country.

7. I believe it will not be overstating the case to add that the present condition and prospects of the country's currency and the apparent supineness on the part of the Government in regard to it are creating grave dissatisfaction in the minds of the intelligent classes in India.

21.] No. 3373, dated 15th August 1892.

From—J. F. FINLAY, Esq., Secretary to the Government of India, Finance and Commerce Department,

To—The President, Indian Currency Association.

I am directed to acknowledge the receipt of your letter of the 9th instant, and of the lists received therewith (since returned) of signatures to the petition of the Indian Currency Association to the House of Commons. Your letter has been transmitted to Her Majesty's Secretary of State for India for consideration.

2. I am to express the regret of the Governor General in Council that the suggestion contained in paragraph 6 of your letter cannot at present be complied with. The subject referred to being, as you are already aware, under reference to the Secretary of State, it would not be in accordance with practice or with the orders of the Secretary of State to make public now an expression of the views of the Government of India on it.

22.] No. 228, dated 16th August 1892.

From—The Government of India,

To—The Secretary of State for India.

With our letter of the 12th July 1892, No. 183, we transmitted to Your Lordship copy of a letter from the Honourable Mr. J. L. Mackay, C.I.E., President of the Indian Currency Association, and copy of a petition to the House of Commons adopted by the Association.

2. We now have the honour to enclose a further letter from Mr. Mackay, dated the 9th instant, informing us that the petition has already been numerously signed by all classes of the educated community, and that branches of the Association have been established in every town in India of any importance.

3. We have not considered it expedient to comply with the request made by Mr. Mackay for an indication of the views held and action proposed by the Government of India on the question of an alteration in our currency system; but we commend this letter to Your Lordship's consideration. The fact that the petition of the Association has been signed by two-thirds of the members of the Bengal Chamber of Commerce shews that the importance of the question is fully appreciated by the mercantile community, and confirms the belief expressed in the 5th paragraph of our despatch of the 21st June last, No. 160 (Confidential), "that we might safely count on receiving every reasonable assistance from the commercial and banking classes in the attempt to introduce a gold standard."

23.] Dated 17th August 1892.

Telegram from—The Secretary, Indian Currency Association, Madras,

To—The Secretary to the Government of India, Finance and Commerce Department.

At public meeting held last night, Town Hall, the following resolution was passed *nem con*:—That this meeting, in view of the alarming condition

into which the currency of India has drifted, and fearing a grave crisis imminent, calls upon the Government of India to say at once what steps they propose to take to allay the panic feeling which exists throughout the country.

24.] No. 3500-A., dated 25th August 1892.

From—J. F. FINLAY, Esq., Secretary to the Government of India, Finance and Commerce Department,

To—The Honorary Secretary to the Indian Currency Association, Madras.

I am directed to acknowledge the receipt of your telegram of the 17th instant, embodying the following resolution passed at a public meeting held in furtherance of the objects of the Association at the Town Hall, Madras, on the 16th instant:—

"That this meeting, in view of the alarming condition into which the currency of India has drifted, and fearing that a grave crisis is imminent, calls upon the Government of India to say at once what steps they propose to take to allay the panic feeling which exists throughout the country."

2. In reply, I am to state that the Government of India fully recognize the gravity of the situation to which attention is called by the resolution. They have already addressed the Secretary of State on the subject, and regret that they are unable at present to communicate any further information to the public for the reasons stated in the recent letter* to the Honourable Mr. Mackay, President of the Association, of which copy is enclosed.

* *Vide* Accounts and Finance Proceedings for August 1892, Nos. 899 to 901 (Confidential).

25.] Dated 21st August 1892.

Telegram from—The Secretary, Indian Currency Association, Ootacamund,

To—The Secretary to the Government of India, Finance and Commerce Department.

At public meeting held here Friday following resolution carried large majority:—That in opinion this meeting desirable that Government India should press on Home Government importance of obtaining by international agreement fixed ratio between gold silver; and, failing establishment such fixed ratio, necessity giving Government India free hand to adopt such measures as may to it seem fit for remedying the existing evils.

26.] No. 231, dated 30th August 1892.

From—The Government of India,

To—The Secretary of State for India.

In continuation of our Financial despatch No. 228, dated the 16th August 1892, we have the honour to forward copy of correspondence with the Secretary to the Indian Currency Association at Madras on the subject of the present condition of the currency of India.

2. We also forward copy of a telegram received from the Secretary of the branch of the same Association at Ootacamund.

27.] Dated 22nd August 1892.

From—G. D. KER, Esq., Honorary Secretary, Indian Currency Association, Ootacamund,

To—The Secretary to the Government of India, Finance and Commerce Department.

I have the honour to inform you that a public meeting of the inhabitants of Ootacamund and neighbourhood was held here on Friday, the 19th instant, the Honourable Mr. Hamnett, C.I.E., presiding, when the following resolution was passed by a very large majority:—

"That, in the opinion of this meeting, it is desirable that the Government of India should press on the Home Government the importance of obtaining by international agreement a fixed ratio between gold and silver; and, failing the establishment of such fixed ratio, the necessity of giving the Government of India a free hand to adopt such measures as may to it seem fit for remedying the existing evils."

I wired you yesterday to this effect, and now beg to confirm my telegram.

I enclose for your information a copy of the resolutions passed at this meeting.

Indian Currency Association.

A public meeting of the inhabitants of Ootacamund and the neighbourhood will be held on Friday, the 19th instant, at 5 P.M., at the Assembly Rooms, for the purpose of considering the proposal to form a branch of this Association in Ootacamund.

The following proposals will be submitted to the meeting:

(1) That a branch of the Indian Currency Association be formed in Ootacamund, the subscription for membership being Re. 1 to cover expenses;

(2) that, in the opinion of this meeting, it is desirable that the Government of India should press on the Home Government the importance of obtaining by international agreement a fixed ratio between gold and silver; and, failing the establishment of such fixed ratio, the necessity of giving the Government of India a free hand to adopt such measures as may to it seem fit for remedying the existing evils;

(3) that inasmuch as it is of the greatest importance to arouse public interest in England at once to the serious condition into which the currency of India has already drifted, and to the still more serious outlook, this meeting, while not committing itself to all the statements in the memorial, still approves of its general tenor, and therefore recommends all interested in the matter to support with their signatures the prayer of the petition to the House of Commons;

(4) that a permanent Committee consisting of the undermentioned members of the Indian Currency Association* (with power to add to their number) be formed for the purpose of carrying into effect the objects of the Association:—

* The names of the permanent Committee will be submitted to the meeting.

Signed on behalf of the Provincial Committee—

G. D. KER.

HONOURABLE MR. HAMNETT, C.I.E.
SURGEON-GENERAL HOYSTED.
MR. J. W. MINCHIN.
COLONEL HUGHES HALLETT.
MR. J. F. DAVIES.
MR. J. D. REES, C.I.E.
MR. DADABHOY EDULJEE.
BRIGADIER-GENERAL PEARSON, C.B.
MR. HAROLD STUART, C.S.

28.] No. 3621-A., dated 3rd September 1892.

From—J. E. O'CONOR, Esq., Assistant Secretary to the Government of India, Finance and Commerce Department,

To—The Honorary Secretary to the Indian Currency Association, Ootacamund.

I am directed to acknowledge the receipt of your letter, dated the 22nd August 1892, on the subject of the present condition of the currency of India, and to say that a copy of the telegram referred to therein was sent to the Secretary of State by last mail.

29.] Dated 8th September 1892.

From—H. A. ACWORTH, Esq., Vice-President, Bombay Branch of the Indian Currency Association,

To—The Secretary to the Government of India, Finance and Commerce Department.

I have the honour to forward copy of a resolution passed yesterday by the Committee of the Bombay Branch of the above Association, with a request that it may be laid before the Government of India.

RESOLUTION.

"That the Vice-President (the President being in Europe) be requested to address the Government of India, informing them that the petition of the Indian Currency Association has already been signed by a large number of the leading European and Native residents of this city, representing all classes of the community, and notably by native firms trading with England.

"2. That this Committee is persuaded that a widespread feeling exists throughout the country that the unchecked depreciation and constant fluctuation in value of the rupee have caused serious injury to India, and are likely to cause still more serious injury unless speedy steps be taken to avert the danger.

"3. That this Committee suggests that this general feeling among the intelligent classes of the Bombay Presidency may be communicated to Her Majesty's Secretary of State with a request that the Government of India may be allowed to adopt some speedy remedy for the evil in accordance with the recommendations made to Her Majesty by the Royal Commissioners appointed in 1886 to consider the recent changes in the relative values of the precious metals.

"4. That this Committee is strongly of opinion that present and probable future exigencies demand immediate attention, and that action cannot safely be deferred pending the results of the coming International Conference."

30.] No. 254, dated 21st September 1892.

From—The Government of India,

To—The Secretary of State for India.

In continuation of our Financial despatch No. 231, dated the 30th August 1892, we have the honour to forward, for Your Lordship's consideration, copy of a letter from the Vice-President of the Bombay Branch of the Indian Currency Association, and of the resolution therein referred to, on the subject of the depreciation and constant fluctuation in the value of the rupee.

31.] No. 3888-A., dated 21st September 1892.

From—J. E. O'Conor, Esq., Assistant Secretary to the Government of India, Finance and Commerce Department,

To—The Vice-President, Bombay Branch, Indian Currency Association.

I am directed to acknowledge the receipt of your letter of the 8th instant, forwarding copy of a resolution passed by the Bombay Branch of the Indian Currency Association on the subject of the unchecked depreciation and constant fluctuation in the value of the rupee, and in reply to state that the resolution has been transmitted to Her Majesty's Secretary of State for India.

32.] No. 272, dated 5th October 1892.

From—The Government of India,

To—The Secretary of State for India.

In continuation of our despatch of the 2nd August 1892, No. 205 (Confidential), we have the honour to enclose a short paper by Mr. J. E. O'Conor, Assistant Secretary in the Department of Finance and Commerce, on the range of prices in India. The wholesale prices of imports have fallen materially, the fall on the whole approximating to, and in some cases exceeding, the fall in exchange.

2. The wholesale prices of Indian commodities have not fallen generally as imports have. Some have fallen and others have risen. Broadly, they may be divided into two great classes. Those which have risen in price are rice, wheat, linseed, and jute (raw and manufactured).

These articles may be taken to represent the following classes of goods in the export trade:

Average value, last five years.

	Rx.
Grain and pulse	19,249,000
Seeds	10,225,000
Jute, raw	7,405,000
„ manufactured	2,421,000
TOTAL ...	39,300,000

being about 41 per cent. of the average value of the exports of Indian goods for the last five years.

On examining the figures it will be seen that there was no rise of price in wheat and but little in linseed until the present year, and in both cases the rise may be regarded as caused by the temporary operation of the failure of the Russian harvests of wheat and linseed and the demand on India suddenly resulting therefrom. In rice and jute, however, it is apparent that the level of prices has been permanently raised. Both these articles are practically Indian monopolies; for, though there is competition with Indian rice, it certainly rules the European market in so far that India can supply the whole requirements of that market.

3. The articles which have fallen in price are cotton, opium (this has since risen rapidly, but the increase may be speculative and temporary), cotton yarns and cloth, indigo, tea, and hides. They have all, with the exception of opium, fallen in price in more or less the same proportion as the fall in exchange, and tea has fallen in nearly double that ratio.

The average value of these goods in the last five years has been—

	Rx.
Cotton, raw	15,077,000
Opium	9,903,000
Cotton yarns and cloth	6,619,000
Indigo	3,598,000
Tea	5,381,000
Hides and skins	4,800,000
TOTAL ...	45,378,000

being about 47 per cent of the average value of the exports of Indian merchandise in the last five years.

4. When we turn to the retail prices of food-grains we find that there has been a general rise throughout the country which may be said to have commenced about 1886. The returns of the prices paid for atta (flour), wheat, rice, pulses, and ghi by the Commissariat Department confirm the fact that prices have largely risen from about that year. To some extent this rise in the last two years is due to drought and scarcity in various regions of the Empire, and it has been intensified by the demand for export of wheat and rice.

5. We do not anticipate that a permanently lower level of prices will be established. The country is now intersected by railways through its length and breadth, and numerous steamers on the coasts also afford facilities for exchange which were absent twenty years ago. In consequence, we are not likely to see prices rule as low as they did formerly in seasons of plenty, when the demand to be supplied from any particular place was purely local and ordinarily smaller than the supply available, and when, therefore, prices were more or less regulated by custom and tradition. In the present day there are

comparatively few districts from which grain cannot easily be exported to distant tracts, where the supply is smaller than the demand, or to foreign countries, and the means of intercourse have so multiplied that traders will not part with their stock locally at low prices when they possess the knowledge that it will fetch a higher price if exported or sold elsewhere in India. Prices are therefore regulated by competition and by a greatly increased demand, and the level will remain high in the future.

6. In the case of wheat and rice, the only two grains of which the exports bear a material proportion to the local consumption, the wholesale prices will be largely determined by the gold prices in Europe and the rate of exchange for the time being. As regards the retail prices of food-grains, it is worthy of notice that there have been loud and persistent complaints during the last three or four years of the high range of prices of the articles of food which are in common use by the people at large.

7. Your Lordship is no doubt aware that, although there must be a connection between the range of prices and the standard of value, it is in practice extremely difficult, if not impossible, to trace the connection. The extent to which fluctuations of price are due on the one hand to causes primarily affecting the standard of value, and on the other to such causes as the failure of crops or the apprehension of scarcity, can never be determined with accuracy. The figures we have just given confirm this conclusion.

8. Information of an unofficial character which we have recently received regarding Java, in which country a change from the silver to the gold standard was made in the year 1875 at the ratio of 1 to 15·625, shows that little or no difficulty was encountered in substituting a gold for a silver standard; that, although a gold standard is now in force there, the currency employed is to all intents and purposes a silver currency; and that great prosperity prevails under the gold standard.

We strongly recommend that Your Lordship should ask the Government of Holland for further information on this point.

33.] LEVELS OF PRICES.

The ten tables attached to this note give a general and summary view of the course of wholesale prices of imports and exports and of retail prices of food-grains since 1861, with some exceptions where prices are not available as far back as that year.

The variations in wholesale prices in tables Nos. I and II are taken from tables No. 14 and 17 in the ninth issue of the Tables of Prices and Wages annually published by this Department. There are two exceptions: the variations in the price of rice at Rangoon have been computed from a statement of prices specially obtained from the Collector of Customs, and the variations in the price of opium have been computed from the tables in Part III of the Finance and Revenue Accounts.

The variations in retail prices in tables Nos. III—IX have been computed from table No. 12 in the ninth issue of Prices and Wages. The stations selected for each grain represent each tract of the whole area over which the grain is largely grown and consumed.

Table No. X is a summary of tables Nos. III to IX.

In all the tables the years have been grouped in quinquennial periods.

In the tables of wholesale prices the price of March 1873 has been taken to represent 100, and the figures represent in most cases the prices in January of each year; where no quotation existed for that month, the next nearest month has been taken. Opium is an exception, all the figures being averages for the year based on monthly returns. Rangoon rice is also an exception as above mentioned.

In the tables of retail prices the average price for the year 1873 represents 100, and all the figures are averages for the year deduced from returns received and published twice a month.

Wholesale Prices.

The variations in the prices of imports and exports in tables I and II are based on the price in March 1873, which was taken to represent 100.

Imports.—The articles selected represent in themselves about one-third of the total import trade, but they may really be taken to represent a great deal more, for the variations in the prices of grey shirtings not only represent the variations in the trade in unbleached, but also in bleached and coloured goods; and the variations in the prices of iron represent also the variations in the prices of hardware, machinery and millwork, and railway material. The selected articles may probably be taken as representative of at least half of the import trade, the half in question being the portion which most nearly concerns the people at large. For the remaining half largely consists of articles which are either not primary necessities, or do not enter into general consumption except by the European population, or are consumed in such small quantities as to have no material importance in the domestic economy of the people.

It may be taken then that imports generally have fallen since 1873 in rupee price 26 per cent. in the case of cotton goods, from 36 to 43 per cent. in the case of cotton yarns, 36 per cent. in the case of iron, and 28 per cent. in the case of copper. Another article—kerosine oil—for which we have no figures before 1888 has fallen since that year by 24 per cent. in the case of American oil and 19 per cent. in the case of Russian oil. This article is now assuming some importance in native domestic economy.

It should be noted as regards cotton goods and yarns that the high level of price recorded in the periods 1861—1865 and 1866—1870 was caused by the immense inflation in the price of cotton which took place during the civil war in the United States.

Exports.—In the list of exports we find that the undermentioned articles, which are all of importance, have fallen in price:

Cotton, raw.	Indigo.
„ yarn.	Opium.
Hides.	Tea.

Cotton cloth has remained stationary.

The course of the prices of these articles since 1887 is shewn below (prices in January of each year, except for opium, for which the average of the year is taken):

	1887.	1888.	1889.	1890.	1891.	1892.
Cotton, Broach ...	85	95	93	95	84	75
Cotton yarns, 20*s*. ...	69	74	79	74	70	65
Cotton T-cloth	76	77	77	77	77	77
Hides, cow	87	76	76	72	65	66
Indigo, good	70	82	93	76	86	74
Opium, Bengal	84	85	91	83	81	89
„ Malwa	90	100	98	88	87	88
Tea, good Souchong ...	55	50	52	50	50	41

It may be noted as regards hides and skins that they fluctuate in price with seasonal vicissitudes. In a bad season, when prices of food-grains rise high, the prices of hides fall, the mortality being large or cultivators being compelled

by distress to sell their cattle. In good seasons hides are scarcer and prices rise.

Three articles of minor importance—saltpetre, shell-lac, and raw silk—have also fallen. Shell-lac has risen in price in the present year, but it is a highly speculative trade with great fluctuations in prices. The variations for these three articles are as follow:

	1861-65.	1866-70.	1871-75.	1876-80.	1881-85.	1886-90.	1891.	1892.
Saltpetre ...	104	76	91	83	82	83	80	85
Shell-lac, middling	87	46	114	83	83	65	67	95
Silk, raw, Sardah ...	107	88	74	71	82	73	64	

The articles which have risen in price are rice, wheat, linseed, jute, and gunny bags. The course of prices of these articles in the last six years is set out in the statement below:

	1887.	1888.	1889.	1890.	1891.	1892.
Wheat (Bombay) ...	97	100	103	90	93	118
„ (Calcutta) ...	83	88	89	81	87	103
Rice (Moonghy) ...	103	110	131	144	147	162
„ (Ballam) ...	106	115	144	154	143	169
Linseed (Bombay) ...	97	104	112	111	103	110
„ (Calcutta) ...	101	95	112	109	97	112
Jute (picked) ...	137	153	192	197	126	226
„ (ordinary) ...	118	141	203	186	115	231
Gunny bags	98	125	126	118	93	132

The general rise of price of these articles in 1892 is due to special and exceptional reasons, and, except as regards rice, it cannot be said that prices shew any distinct tendency to a permanent rise. Generally, it may be said that, with the exception of rice (which has shewn a distinct upward tendency since 1887) and jute, all the important staples of the export trade have either not increased or have fallen in price.

Retail Prices.

If we take the course of the wholesale prices at Calcutta and Bombay to fairly represent the course of the prices obtained by the producer, it seems clear that, with the exception of the rice-grower and jute-grower, the producer does not receive an increasing price for his goods. But while this is the case, the consumer has certainly good reason to complain in recent years of the increasing price of food-grains. From table No. X it will be seen that there is a marked correspondence between the fluctuations in periods and in degree of the different food-grains. Ragi is an exception only as regards the degree of fluctuation, the rise and fall being greater than in the case of other food-grains. This grain is produced on a relatively small area confined mainly to the Nizam's territory and the northern and central parts of Madras. When the crop fails, there is no ragi to be imported from elsewhere, and the price at once flies up to a great height as in 1866, and again in 1877 and 1878. On the other hand, the consumption being as local as the production, a good harvest following a bad one sends the price down as fast as it rose. With other grains the case is different. Each of them being of fairly general consumption over large areas, when the crop of a grain fails in one place it can generally be supplemented by

the importation of stocks of the same grain from other places, and thus prices do not rise or fall so rapidly, nor are the limits of the fluctuations so wide as is the case with ragi. A diagram of the prices of rice, wheat, jawar, and bajra shows a remarkable coincidence between the periods and the degree of their fluctuations, and this is also the case, though in not quite the same degree, with gram and barley.

In all these grains we find as the result of seasonal vicissitudes a low level of price in the periods 1861-65, 1871-75, 1881-85, and a high level of price in the periods intervening, namely, 1866-70, 1876-80, 1886-90, and again in 1891. The last three years, 1889, 1890, and 1891, have been years of high prices. The year 1891 was a good wheat year, but the abnormal demand in Europe caused an export of upwards of 50 per cent. more than the average in the course of a few months, and the rise of prices in Europe was reflected in India retail prices. There was also a large demand for rice in India owing to scarcity as well as in Europe and elsewhere. Prices still continue high (July 1892) for wheat and rice all over India. In Northern India the prices of jawar, bajra, gram, and barley have fallen somewhat, but in Peninsular India the prices of jawar, bajra, and ragi, as well as of wheat and rice, continue very high.

September 6, 1892. J. E. O'CONOR.

No. I.—Variations in wholesale prices of Imports at Calcutta.

	Grey Shirtings 8¼ lbs.	Mule twist, white, No. 40.	Mule twist, Turkey red, No. 40.	Copper, braziers'.	Iron, flat, bolt, bar.
1861-65	145	146	123	99	64
1866-70	128	122	117	88	69
1871-75	93	92	104	92	89
1876-80	79	83	83	88	67
1881-85	78	77	62	78	61
1886-90	80	71	57	76	62
1891	74	70	56	72	62
1892	74	64	57	72	64

No. II.—Variations in wholesale prices of Exports at Calcutta, Bombay, and Rangoon.

	Cotton, Broach.	Opium.		Rice.			
		Bengal.	Malwa.	Moonghy (Calcutta).	Ballam (Calcutta).	Ngatsain (Rangoon).	Ngakyouk (Rangoon).
1861-65 ...	128	104	113	87	88	Not available.	
1866-70 ...	112	100	114	111	120		
1871-75 ...	87	102	100	115	115	84	109
1876-80 ...	86	98	116	148	154	97	113
1881-85 ...	88	100	101	104	122	126	157
1886-90 ...	90	87	93	124	134	122	151
1891 ...	84	81	87	147	143	133	164
1892 ...	5	89	88	162	169	156	194

	Wheat.		Linseed.		Jute.	
	Calcutta.	Bombay.	Calcutta.	Bombay.	Picked.	Ordinary.
1861-65 ...	82	...	85	90	103	88
1866-70 ...	101	108	107	104	110	103
1871-75 ...	85	79	104	98	128	123
1876-80 ...	94	108	104	103	153	144
1881-85 ...	84	77	95	97	132	123
1886-90 ...	83	94	104	104	163	153
1891 ...	87	93	97	103	126	115
1892 ...	103	118	112	110	236	231

	Jute gunny bags.	Tea, good Souchong.	Cotton yarns, 20s.	Cotton T-cloth, 44-inch, 24 yards, 8 lbs.	Indigo, good.	Hides, cow, slaughtered.
1861-65 ...	97	...	...	...	95	70
1866-70 ...	103	...	...	...	102	67
1871-75 ...	100	100(1)	...(2)	...(3)	108	96
1876-80 ...	94	94	81	83	103	96
1881-85 ...	105	69	77	81	110	99
1886-90 ...	110	54	74	77	86	81
1891 ...	93	50	70	77	86	65
1892 ...	132	41	65	77	74	66

(1) Four-years average.

(2) No prices available before 1874. The level is based on the price of 1874 = 100. In 1875 the level was 81.

(3) No prices before 1874. The level is based on the price of 1874 = 100. In 1875 the level was 86.

No. III.—Variations in the retail price of

Years.	Calcutta.	Patna.	Rangpur.	Backerganj.
1861	62	62	61	89
1862	62	50	61	97
1863	63	47	67	105
1864	80	50	71	112
1865	96	76	134	119
Average ...	**73**	**57**	**79**	**104**
1866	106	101	156	238
1867	72	77	117	122
1868	81	50	82	132
1869	80	86	92	136
1870	77	66	84	115
Average ...	**83**	**76**	**106**	**149**
1871	61	77	85	123
1872	64	79	87	93
1873	*100*	*100*	*100*	*100*
1874	102	111	145	171
1875	85	74	105	130
Average ...	**82**	**88**	**104**	**123**
1876	99	100	100	131
1877	103	97	107	170
1878	115	120	140	212
1879	116	117	170	209
1880	85	93	107	125
Average ...	**104**	**105**	**125**	**169**
1881	72	74	94	84
1882	76	80	94	95
1883	77	99	121	121
1884	103	125	170	151
1885	122	107	162	174
Average ...	**90**	**97**	**128**	**125**
1886	85	94	112	159
1887	68	78	101	133
1888	73	94	111	140
1889	90	117	155	190
1890	90	101	155	183
Average ...	**81**	**97**	**127**	**161**
1891	91	100	167	162

RICE since 1861—(price in 1873 =100).

Raipur.	Bellary.	Madras.	Salem.	Rangoon.	Tounghoo.
114	98	...	133	123	151
54	101	...	135	81	171
67	108	...	122	81	135
121	152	...	127	92	122
221	167	...	148	92	143
115	**125**	...	**133**	**94**	**144**
250	157	...	164	81	177
156	217	...	211	102	198
144	145	...	160	102	161
313	114	...	152	112	151
134	109	104	135	122	166
199	**148**	**104**	**164**	**104**	**171**
138	85	...	86	...	...
99	88	...	91	79	100
100	*100*	*100*	*100*	*100*	*100*
111	95	125	119	128	117
107	90	107	104	86	131
111	**92**	**111**	**100**	**98**	**112**
123	116	142	135	81	130
119	183	189	242	95	173
191	178	190	202	122	151
173	119	147	163	127	197
154	94	121	134	109	180
152	**138**	**158**	**175**	**107**	**166**
99	97	105	108	97	142
93	97	101	108	92	131
117	98	100	105	105	177
159	98	104	115	106	219
157	104	122	137	90	215
125	**99**	**106**	**115**	**98**	**177**
173	105	110	122	95	215
212	95	113	115	104	232
212	96	117	118	110	279
245	98	119	126	110	221
210	102	136	131	113	206
210	**99**	**119**	**122**	**106**	**231**
207	116	145	157	123	227

No. IV.—Variations in the price of WHEAT

Years.	Calcutta.	Patna.	Cawnpore.	Fyzabad.	Meerut.	Delhi.	Amritsar.	Rawalpindi.
1861 ...	69	69	96	61	126	129	140	64
1862 ...	62	98	60	54	60	72	170	69
1863 ...	56	50	58	56	61	75	128	62
1864 ...	77	98	84	69	85	89	93	73
1865 ...	77	94	99	92	98	129	99	68
Average ...	**68**	**82**	**79**	**66**	**86**	**99**	**126**	**67**
1866 ...	99	151	118	111	86	98	98	67
1867 ...	54	105	99	65	94	90	104	76
1868 ...	69	52	83	87	79	91	135	146
1869 ...	80	122	144	111	153	163	200	139
1870 ...	80	133	107	80	129	147	168	122
Average ...	**76**	**113**	**110**	**91**	**108**	**118**	**141**	**110**
1871 ...	72	67	69	62	83	87	104	103
1872 ...	82	80	86	93	83	91	108	98
1873 ...	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*
1874 ...	93	94	96	95	98	99	99	78
1875 ...	72	68	71	62	91	89	97	64
Average ...	**84**	**82**	**84**	**82**	**91**	**93**	**102**	**89**
1876 ...	67	63	66	59	78	77	98	57
1877 ...	88	83	103	92	102	103	97	65
1878 ...	97	110	120	120	135	135	142	103
1879 ...	94	113	117	108	135	135	172	200
1880 ...	88	80	90	84	109	109	148	169
Average ...	**87**	**90**	**99**	**93**	**112**	**112**	**131**	**119**
1881 ...	75	70	81	81	99	98	119	141
1882 ...	87	82	89	89	109	102	98	91
1883 ...	88	83	89	86	112	100	101	74
1884 ...	72	76	75	77	99	95	93	60
1885 ...	75	75	74	72	91	84	92	65
Average ...	**79**	**77**	**82**	**81**	**102**	**96**	**101**	**86**
1886 ...	76	76	84	81	110	100	119	88
1887 ..	81	85	101	101	134	129	152	133
1888 ...	89	90	102	103	135	129	144	127
1889 ...	89	96	99	104	119	110	117	97
1890 ...	86	93	107	106	123	116	128	98
Average ...	**84**	**88**	**99**	**99**	**124**	**117**	**132**	**109**
1891 ...	98	99	114	117	145	135	168	126

since 1861—(price of 1873=100).

Karachi.	Belgaum.	Ahmadnagar.	Bombay.	Ahmadabad.	Jabalpur.	Nagpur.	Raipur.
78	74	97	92	100	79	75	88
101	61	116	97	95	68	103	51
103	145	138	121	156	86	136	69
150	198	180	147	209	64	181	132
133	166	171	137	237	99	167	192
113	**129**	**140**	**119**	**159**	**79**	**132**	**106**
131	229	171	179	172	152	241	211
116	116	153	130	125	94	241	117
111	61	124	114	166	132	163	117
113	79	118	137	188	180	215	282
150	222	206	130	183	132	164	184
124	**141**	**167**	**138**	**167**	**138**	**205**	**182**
132	128	126	114	140	86	116	88
108	120	136	106	112	91	112	101
100	*100*	*100*	*100*	*100*	*100*	*100*	*100*
107	74	77	94	94	96	91	102
120	64	103	98	82	74	86	91
113	**97**	**108**	**102**	**106**	**89**	**101**	**96**
120	85	106	100	86	74	95	79
130	166	190	142	142	97	114	99
164	168	242	177	175	171	167	217
195	207	236	168	177	174	182	213
149	136	154	130	98	118	126	166
152	**152**	**186**	**143**	**136**	**127**	**137**	**155**
118	70	112	106	85	94	105	108
117	62	128	112	99	107	110	134
116	67	128	113	110	99	108	180
110	64	113	104	95	84	91	145
108	75	113	102	84	93	94	123
114	**68**	**119**	**107**	**95**	**95**	**102**	**138**
130	71	127	112	93	120	115	159
138	75	146	117	126	125	127	194
133	78	140	121	130	133	128	196
131	77	137	117	119	129	134	208
129	71	131	111	112	123	130	196
132	**74**	**136**	**116**	**116**	**126**	**127**	**191**
143	90	143	120	122	146	147	249

No. V.—Variations in the price of JAWAR

Years.	Cawnpore.	Fyzabad.	Meerut.	Delhi.	Amritsar.	Rawalpindi.
1861	102	75	170	158	246	90
1862	71	68	72	74	144	83
1863	69	63	92	72	79	67
1864	102	91	111	87	71	67
1865	103	119	125	104	132	66
Average ...	89	83	114	99	134	75
1866	102	131	114	87	99	105
1867	85	73	112	88	123	75
1868	67	73	122	96	198	168
1869	140	121	219	169	237	178
1870	94	99	117	107	187	100
Average ...	98	99	137	109	169	125
1871	91	68	...	83	125	79
1872	74	89	126	100	148	101
1873	*100*	*100*	*100*	*100*	*100*	*100*
1874	102	115	114	105	113	96
1875	79	70	105	100	115	82
Average ...	89	88	111	98	120	92
1876	57	56	96	83	103	60
1877	100	97	120	108	94	85
1878	150	115	185	174	194	152
1879	107	108	143	135	208	200
1880	77	96	109	103	143	156
Average ...	98	94	131	121	148	131
1881	78	70	115	109	145	135
1882	78	70	101	97	107	84
1883	75	73	94	96	86	65
1884	74	84	107	110	93	51
1885	73	75	94	91	111	66
Average ...	76	74	102	101	108	80
1886	95	86	110	106	138	123
1887	104	135	157	156	199	153
1888	122	145	144	143	177	139
1889	94	137	115	116	139	86
1890	111	142	134	136	160	71
Average ...	105	129	132	131	163	114
1891	117	165	172	157	226	120

since 1861—(price of 1873=100).

Karachi.	Belgaum.	Ahmad-nagar.	Bombay.	Ahmad-abad.	Jabalpur.	Nagpur.	Bellary.	Salem.
88	92	98	103	100	130	81	98	110
92	82	156	103	143	74	116	96	110
76	215	209	143	187	86	127	119	100
192	201	206	172	271	144	194	203	86
203	172	116	150	163	96	194	196	110
130	**152**	**157**	**134**	**173**	**106**	**142**	**142**	**103**
154	209	129	176	120	152	242	225	142
112	91	179	170	136	100	208	264	199
112	56	119	130	127	144	224	125	140
118	82	190	168	226	173	188	85	123
140	112	152	128	232	152	168	88	103
127	**110**	**154**	**154**	**168**	**144**	**206**	**157**	**141**
139	84	139	120	150	112	137	70	52
114	104	155	122	110	116	118	75	50
100	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*
99	82	75	88	98	125	70	83	102
112	87	86	93	91	79	77	105	91
113	**91**	**111**	**105**	**110**	**106**	**100**	**87**	**79**
128	106	129	105	101	86	110	140	126
171	188	301	182	167	114	130	304	278
233	145	295	191	212	177	155	212	205
161	146	291	172	193	159	184	147	145
130	93	186	118	94	96	137	86	111
165	**136**	**240**	**154**	**153**	**126**	**143**	**178**	**173**
121	65	88	88	80	76	99	63	85
117	63	106	100	116	106	100	69	82
119	86	125	105	122	97	90	59	73
118	89	171	113	109	97	102	78	85
113	95	145	106	108	109	109	103	108
188	**80**	**127**	**102**	**107**	**97**	**100**	**74**	**87**
124	90	125	109	107	121	117	89	97
126	78	123	110	134	133	139	85	80
135	83	166	122	148	141	152	74	85
146	89	193	116	136	145	146	84	88
130	86	165	113	131	142	135	86	100
132	**85**	**154**	**114**	**130**	**136**	**138**	**84**	**90**
138	88	130	116	131	157	132	97	122

No. VI.—Variations in the price of BAJRA

Years.	Cawnpore.	Fyzabad.	Meerut.	Delhi.	Amritsar.	Rawalpindi.	Karachi.
1861	96	70	144	128	109	64	91
1862	59	96	69	68	101	67	97
1863	57	78	83	67	96	61	109
1864	107	127	111	84	127	70	229
1865	103	117	138	98	132	80	235
Average ...	**84**	**98**	**109**	**89**	**113**	**68**	**152**
1866	101	134	124	85	112	85	161
1867	90	98	108	87	121	102	132
1868	89	100	115	100	186	178	133
1869	145	141	248	185	225	181	157
1870	88	131	111	104	161	106	191
Average ...	**103**	**121**	**141**	**112**	**161**	**130**	**155**
1871	81	79	87	95	129	90	151
1872	90	101	117	113	124	111	129
1873	*100*	*100*	*100*	*100*	*100*	*100*	*100*
1874	95	117	121	109	121	83	109
1875	76	90	100	88	106	63	128
Average ...	**88**	**97**	**105**	**101**	**116**	**89**	**123**
1876	57	65	86	77	101	54	135
1877	105	82	127	98	114	66	180
1878	158	144	185	158	156	142	270
1879	117	122	145	134	146	219	243
1880	78	95	104	101	138	187	169
Average ...	**103**	**102**	**129**	**114**	**131**	**134**	**199**
1881	78	76	120	110	129	154	123
1882	77	81	110	103	116	92	121
1883	80	86	114	104	104	56	124
1884	71	78	110	101	106	48	136
1885	72	74	97	82	115	54	141
Average ...	**76**	**79**	**110**	**100**	**114**	**81**	**129**
1886	92	83	115	108	141	79	144
1887	95	100	142	134	199	149	149
1888	128	136	152	143	185	149	162
1889	98	111	126	122	174	113	166
1890	103	104	132	129	164	90	140
Average ...	**103**	**107**	**133**	**127**	**173**	**116**	**152**
1891	122	143	163	151	211	133	138

since 1861—(price of 1873 = 100).

Belgaum.	Ahmadnagar.	Bombay.	Ahmadabad.	Jabalpur.	Bellary.	Madras.	Salem.
97	83	111	106	86	111	...	123
85	129	106	98	69	107	...	115
225	172	141	216	96	129	...	100
231	170	197	272	91	212	...	89
174	96	178	177	123	214	...	112
162	**130**	**147**	**174**	**93**	**155**	...	**108**
223	106	186	110	157	247	...	148
95	147	152	133	123	287	...	195
75	98	147	132	123	143	...	140
99	156	157	205	157	96	...	120
127	126	138	197	115	99	81	100
124	**127**	**156**	**155**	**135**	**174**	**81**	**141**
84	160	124	155	...	...	...	...
122	166	129	115	133	125	...	71
100	*100*	*100*	*100*	*100*	*100*	*100*	*100*
76	78	84	88	113	91	118	105
84	87	89	89	85	111	88	96
93	**118**	**105**	**109**	**8**	**85**	**102**	**93**
106	136	108	101	82	147	135	121
196	249	152	179	117	286	221	325
155	235	169	209	193	222	182	211
155	229	155	183	132	167	121	149
97	171	120	95	95	117	101	122
142	**204**	**141**	**153**	**124**	**188**	**152**	**186**
66	92	87	86	75	81	91	95
72	108	98	123	93	93	84	99
87	136	104	129	88	82	86	87
94	158	111	108	91	112	88	97
105	145	110	111	77	111	101	122
85	**128**	**102**	**111**	**85**	**96**	**90**	**100**
90	132	109	118	...	102	104	114
79	135	117	130	...	92	95	89
89	165	123	146	...	106	95	98
97	186	125	130	...	117	122	104
92	143	116	112	...	107	122	101
89	**152**	**118**	**127**	**...**	**105**	**107**	**101**
92	140	117	122	...	120	140	126

No. VII.—Variations in the price of RAGI since 1861—(price of 1873 = 100).

Years.	Bellary.	Madras.	Salem.
1861	126	...	142
1862	119	...	140
1863	146	...	122
1864	238	...	105
1865	225	...	124
Average ...	171	...	127
1866	279	...	171
1867	334	...	246
1868	164	...	180
1869	104	...	151
1870	106	96	120
Average ...	197	96	174
1871	80	...	57
1872	85	...	58
1873	*100*	*100*	*100*
1874	98	116	114
1875	122	114	110
Average ...	97	110	88
1876	191	160	157
1877	359	272	364
1878	274	226	251
1879	187	145	174
1880	120	119	141
Average ...	226	184	217

No. VII.—Variations in the price of RAGI since 1861—(price of 1873 = 100)—contd.

Years.	Bellary.	Madras.	Salem.
1881	97	100	101
1882	103	94	98
1883	96	99	94
1884	114	95	99
1885	127	109	118
Average	107	99	102
1886	113	104	112
1887	100	98	96
1888	94	97	97
1889	101	102	100
1890	114	109	106
Average ...	104	102	102
1891	134	139	141

No. VIII.—Variations in the price of

Years.	Cawnpore.	Fyzabad.	Meerut.	Delhi.
1861	107	76	170	151
1862	73	58	77	74
1863	63	55	63	75
1864	92	65	89	90
1865	109	100	105	99
Average ...	**89**	**71**	**101**	**98**
1866	120	127	92	99
1867	107	59	116	177
1868	73	78	97	129
1869	152	139	217	234
1870	124	102	164	148
Average ...	**115**	**101**	**137**	**157**
1871	...	...	...	118
1872	90	94	105	117
1873	*100*	*100*	*100*	*100*
1874	108	107	99	94
1875	76	66	93	90
Average ...	**92**	**92**	**99**	**104**
1876	62	54	77	70
1877	95	86	98	88
1878	160	153	161	160
1879	150	134	164	157
1880	102	92	126	122
Average ...	**114**	**104**	**125**	**119**
1881	91	80	117	116
1882	81	82	107	109
1883	75	74	101	105
1884	77	83	100	103
1885	77	77	90	83
Average ...	**80**	**79**	**103**	**103**
1886	76	67	92	86
1887	88	80	121	114
1888	106	97	121	116
1889	93	92	109	104
1890	105	104	129	122
Average ...	**94**	**88**	**114**	**108**
1891	123	114	139	131

GRAM since 1861—(price of 1873=100).

Amritsar.	Rawalpindi.	Karachi.	Jabalpur.	Nagpur.	Raipur.
150	89	67	74	63	41
75	65	61	69	77	47
59	69	75	86	105	65
73	78	83	71	197	104
94	98	114	126	137	101
90	**80**	**80**	**85**	**116**	**72**
88	131	110	178	197	249
117	136	74	102	197	190
150	206	97	119	148	147
280	281	113	178	161	231
152	204	146	153	118	249
157	**192**	**108**	**146**	**164**	**213**
116	147	103	80	104	122
154	88	102	88	117	118
100	*100*	*100*	*100*	*100*	*100*
84	74	93	95	85	95
96	72	84	66	79	83
110	**96**	**96**	**86**	**97**	**104**
71	71	89	63	75	68
77	106	110	101	102	81
165	211	142	194	189	234
185	257	141	179	195	236
148	206	113	99	121	171
129	**170**	**119**	**127**	**136**	**158**
127	154	80	70	80	146
88	106	87	75	85	106
81	80	86	81	90	119
76	66	80	80	86	151
86	75	81	79	84	165
92	**96**	**83**	**77**	**85**	**137**
97	90	83	100	101	168
132	125	102	110	109	162
139	132	107	110	106	200
108	104	90	126	109	221
125	113	96	116	110	183
120	**113**	**96**	**112**	**107**	**187**
148	134	107	122	104	127

No. IX.—Variations in the price of

Years.	Patna.	Cawnpore.	Fyzabad.
1861	53	97	56
1862	54	58	47
1863	44	52	51
1864	41	77	56
1865	90	95	88
Average	**56**	**76**	**60**
1866	130	106	102
1867	70	76	55
1868	63	72	83
1869	121	140	109
1870	80	90	85
Average	**93**	**97**	**87**
1871	85	70	59
1872	82	88	95
1873	*100*	*100*	*100*
1874	116	99	96
1875	74	71	61
Average	**91**	**86**	**82**
1876	70	54	54
1877	87	90	85
1878	133	116	121
1879	122	103	95
1880	88	81	76
Average	**100**	**89**	**86**
1881	64	76	69
1882	68	78	76
1883	83	77	75
1884	107	71	78
1885	92	68	71
Average	**83**	**74**	**74**
1886	83	74	69
1887	83	96	87
1888	103	105	100
1889	119	97	100
1890	116	110	108
Average	**101**	**96**	**93**
1891	110	118	113

BARLEY since 1861—(price of 1873 = 100).

Meerut.	Delhi.	Amritsar.	Rawalpindi.	Karachi.
145	163	118	68	75
59	64	81	37	102
59	63	94	40	68
88	82	121	63	124
92	97	116	69	151
89	**94**	**106**	**57**	**104**
93	89	94	72	92
99	89	121	73	87
83	89	185	135	85
157	169	268	107	87
115	114	173	113	129
109	**110**	**168**	**100**	**96**
83	90	106	105	136
87	90	125	113	109
100	*100*	*100*	*100*	*100*
104	98	99	82	111
93	90	107	79	96
93	**94**	**107**	**96**	**110**
80	77	101	69	108
101	88	91	75	123
141	136	146	105	148
141	139	203	222	175
108	107	150	196	133
114	**109**	**138**	**133**	**137**
99	97	121	131	117
110	102	91	81	115
100	100	97	66	119
110	102	100	56	114
85	76	102	55	113
101	**95**	**102**	**78**	**116**
93	91	108	72	120
125	134	163	125	136
132	135	175	132	136
113	114	130	76	133
135	133	141	78	123
120	**121**	**143**	**97**	**130**
148	141	180	103	137

No. X.—Variations in the price of the seven food-grains mentioned in tables Nos. III—IX—(price of 1873=100).

[Note.—*In this table the average has been taken of the prices at the stations mentioned in the foregoing tables in regard to each grain. This average may be taken to represent the general level of price of each grain in the tracts where it is most largely produced and consumed.*]

Years.	Rice.	Wheat.	Jawar.	Bajra.	Ragi.	Gram.	Barley.
1861-65 ...	103	103	122	120	149	88	80
1866-70 ...	130	133	140	131	185	149	108
1871-75 ...	102	95	100	102	92	98	95
1876-80 ...	140	127	146	147	209	130	113
1881-85 ...	116	96	96	99	103	93	90
1886-90 ...	135	117	122	122	103	114	113
1891 ...	149	135	138	137	138	129	131

34.] No. 3768, dated 22nd September 1892.

From—T. D. MACKENZIE, Esq., Chief Secretary to the Government of Bombay, Financial Department,

To—The Secretary to the Government of India, Finance and Commerce Department.

I am directed to forward herewith a copy of a letter, dated the 15th instant, from the Chairman, Chamber of Commerce, Bombay, communicating a resolution passed at a Special General Meeting of the Members of the Chamber on the subject of the fluctuations in the sterling value of the rupee, and requesting its transmission through the Government of India to Her Majesty's Secretary of State for India.

35.] Dated 15th September 1892.

From—J. L. SYMONS, Esq., Chairman, Chamber of Commerce, Bombay,

To—The Secretary to the Government of Bombay, Financial Department.

I have the honour, by direction of the Committee of the Bombay Chamber of Commerce, to communicate the following resolution passed at a Special General Meeting of the Members of the Chamber held yesterday, and to ask that you will be good enough to forward the same to the Government of India for transmission to Her Majesty's Secretary of State for India:

"That this Chamber considers that serious difficulty and danger to commerce have arisen from the violent fluctuations in the sterling value of the rupee—fluctuations which do not arise from the incidents of Eastern trade, and are not such as can be foreseen by the most prudent traders. That the development of the resources of the country by the assistance of European capital is thereby seriously checked, and the execution of public works and construction of railways calculated to add to the prosperity of the country much hampered. The Chamber therefore considers that the importance of the subject demands that it should be referred to a Committee of Experts, who should be instructed to express an opinion as to what, if any, remedy they can propose in the interests of India.

"That a copy of this resolution be forwarded to the Government of India for transmission to Her Majesty's Secretary of State for India."

36.] No. 271, dated 5th October 1892.

From—The Government of India,

To—The Secretary of State for India.

In continuation of our despatch of the 21st September 1892, No. 254, we have the honour to transmit, for Your Lordship's consideration, copy of a letter from the Bombay Chamber of Commerce, which we have received from the Government of Bombay, embodying a resolution passed by the Chamber to the effect that the violent fluctuations in exchange are a serious difficulty and danger to trade and an obstacle to the material development of the country, and that in the interests of India a remedy should be sought for.

2. This resolution indicates a change of opinion on the part of the Chamber. In 1886, when discussing the same question, they adopted the following resolution :

"That they deprecate any interference with the currency. While admitting the inconveniences of constant fluctuations in exchange, they are of opinion, after considering the question from all sides, that the fall in exchange leaves a balance of benefit to the commerce and people of India, and are in favour of allowing things to run their natural course."

Your Lordship will find on reference to the evidence given before the Royal Commission on gold and silver in July 1887 that the resolution just quoted was produced before the Commission by Mr. T. Comber as an important expression of opinion from a body specially conversant with and interested in the matter (Q. 6519 *et seq.*).

3. The Bombay Chamber of Commerce represents a very important section of mercantile opinion in India, and the change in its views indicated by the resolution which we transmit must be regarded as possessing much significance.

37.] No. 4124-A., dated 7th October 1892.

From—J. E. O'Conor, Esq., Assistant Secretary to the Government of India, Finance and Commerce Department,

To—The Chief Secretary to the Government of Bombay, Financial Department.

I am directed to acknowledge the receipt of your letter No. 3768, dated 22nd September 1892, and to state, for the information of the Bombay Chamber of Commerce, that a copy of the letter from the Chairman sent therewith has been forwarded to the Secretary of State for India.

38.] No. 159 (Financial), dated 25th August 1892.

From—The Secretary of State for India,

To—The Government of India.

I have considered in Council Your Excellency's letter, dated the 12th of July, No. 183, forwarding a copy of a letter from the President of the Indian Currency Association, with a memorial which that body proposes to present to the House of Commons, praying that, in the event of the forthcoming International Conference failing to arrive at a satisfactory solution of the questions to be submitted to it regarding the more extended use of silver as currency, the Government of India may be empowered to take such measures as it may see fit for the adoption of a gold standard. The memorial further begs that, in view of the probable failure of the Conference to arrive at any practical issue, such power may be now given to your Government as will admit of its exercise without delay after the termination of the Conference.

2. The currency system of India is regulated by Act XXIII of 1870; and it is open to Your Excellency's Council when assembled for the purpose of making laws and regulations to repeal or modify this Act, provided that the previous consent of Her Majesty's Government shall have been given to the proposed measure, so that there is no necessity for an application to Parliament on the subject.

3. It would have been interesting to me if the Indian Currency Association had expressed its views more fully on the probable results of the measure

which they advocate, and more particularly as to its effect on trade and prices in India.

39.] Dated 28th September 1892.

From—The Hon'ble J. L. Mackay, c.i.e., President, Indian Currency Association,

To—The Secretary to the Government of India, Finance and Commerce Department.

With reference to annexed telegram from London through Reuter's Agency, I have the honour to request that a copy of the reply from the Secretary of State to my letter of 25th June last may be sent to me, if there is no objection, for the information of the members of the Indian Currency Association.

Reuter's telegram, dated 27th September 1892.

An official Government reply to the petition of the Indian Currency Association states that the Government of India can deal with the currency question without applying for authority of Parliament in the matter.

40.] No. 3998-A., dated 29th September 1892.

From—J. E. O'Conor, Esq., Assistant Secretary to the Government of India, Finance and Commerce Department.

To—The President, Indian Currency Association.

In compliance with the request made in your letter of 28th September 1892, I am directed to transmit, for the information of the members of the Indian Currency Association, copy of the despatch from the Secretary of State for India, No. 159 (Financial), dated the 25th August 1892.

41.] Dated 1st October 1892.

From—The Hon'ble J. L. Mackay, c.i.e., President, Indian Currency Association,

To—The Secretary to the Government of India, Finance and Commerce Department.

I have the honour to acknowledge receipt of your No. 3998-A. of 29th ultimo, enclosing a despatch from the Secretary of State replying to my letter which accompanied copy of the petition of this Association addressed to the House of Commons, which you were good enough to transmit to the Secretary of State for his information.

2. In the third paragraph of His Lordship's despatch a regret is expressed that the Currency Association did not state its views generally on the possible effects on trade and prices of "the measure it proposes."

3. I would respectfully point out that the petition suggests two alternative courses, either bimetallism or a gold standard for India.

4. Bimetallism has already been so amply discussed in all its bearings that it was considered unnecessary to repeat the statements of fact and theory connected therewith, as they must be familiar to His Lordship and his advisers.

5. As to the possible effect on trade and prices which would follow the introduction of a gold standard, I would venture to suggest that if His Lordship desires to secure further expert opinion on the subject, the same may be readily obtained at home; and I would add that the various questions involved have already been largely discussed in the report of the Royal Commission of 1886. A section of that Commission expressed the opinion that the fall in prices in England was "mainly due to circumstances independent of changes in the production of, or demand for, the precious metals or the altered relation of silver to gold;" and, as Her Majesty's Government have taken no steps to introduce bimetallism, it may be concluded that they adopted this view. They can have no reason, therefore, to fear that the introduction of a gold standard into India will injuriously affect prices, as the change from silver to gold could be made at approximately the market rate of the day, and the additional demand for gold would be much less than the additional demand caused by the measures for the demonetization of silver which began in 1873.

6. I would add that those who favour a gold standard hold that to retain as a standard of value a metal which in its relation to gold is constantly fluctuating and persistently depreciating is opposed to the principles on which the theory and practice of currency are based. Even if most of our commercial relations and all our financial obligations were not with England, which has a gold standard, no good arguments can be found for the retention of the silver standard unless it can be restored to the stable position which it formerly occupied. The retention of the silver standard in India under existing circumstances is politically inexpedient and unjustifiable. There is no reason to believe that the change in the standard of value from silver to gold will injuriously affect trade or prices in India any more than the change injuriously affected trade and prices in the countries of the Latin Union, in Germany, and in Java. On the contrary, if the ordinary course of prices has not been violently interfered with in those countries, where the silver coinage is retained at a ratio to gold considerably higher than that proposed for India, it seems clear that there is greater reason for holding that Indian prices will not be affected. In India rupees will remain rupees, and the producer and consumer will regulate the prices asked and paid, as hitherto, by supply and demand.

7. In a previous letter I had the honour to inform you that the petition of this Association had received 8,000 signatures, and I have to state that it has now received 16,868, more than half being those of educated natives. I take this opportunity to send you, for the information of Government and the Secretary of State, thirty copies of the Proceedings of a General Meeting of the Association held at Calcutta on 25th August last, at which the following resolution was unanimously carried:

"That this meeting views with alarm the condition into which the currency of this country is drifting in relation to gold, and the crisis which appears to be approaching; and it desires to place on record its opinion that the Government of India should take such steps as they may think expedient, in the general interests of the country, to arrest further depreciation pending the result of the deliberations of the Conference about to sit in Europe."

In view of the statement made by the Secretary of State that it is open to the Government of India to repeal or modify the currency system of this country without Parliamentary sanction, provided the previous sanction of Her Majesty's Government shall have been given to the proposed measure, I venture to hope that His Excellency the Viceroy in Council may without delay apply for the permission of Her Majesty's Government to introduce a measure which will have the effect of arresting further depreciation in the gold value of the currency of India pending the result of the deliberations of the Conference about to sit in Europe.

8. Since writing the foregoing paragraphs, I have been informed that a Committee will be appointed in London to consider the expediency of modifying the Indian Currency Act. I trust this means that the proposal for introducing a gold standard into India will now receive a thorough examination. If so, the announcement will be received with satisfaction throughout the country, and it will tend to allay the feeling of despair which was taking possession of all classes in regard to the currency prospects of India.

42.] *Proceedings of a General Meeting of the Indian Currency Association held at Calcutta on 25th August 1892.*

MR. MACKAY, in opening the proceedings, said:

Gentlemen,—I have to present to you the first report of the Central Committee of the Indian Currency Association. Our object in putting forward this report now is to acquaint the members of the Association throughout the country with what has been done, what is being done, and what it is intended to do to carry out their aims.

I am sorry that it has not been possible to publish the report earlier, but you are aware that in a country like India it is difficult to get public meetings arranged and to collect signatures as quickly as at home; and to this I must ask you to attribute the delay.

Gentlemen, I will not detain you by entering upon another lengthy discussion of the currency question. Almost all that it is possible to say on the

subject has already been said, and I think every argument against our views has been satisfactorily answered. But there are one or two proposals which have lately been put forward as likely to effect a better remedy than the one we propose, to which I will refer.

Burst up the Land Settlements.

One gentleman told me the other day that Government's proper course now was to break up the permanent settlement in Bengal, to greatly reduce the length of the settlements in other parts of the country, and, as silver falls in value, to increase the land rents. Gentlemen, that such proposals should be seriously made in a country like India serves to demonstrate the severe nature of the disease from which we are suffering.

The same gentleman said: "Look how India will gain if the rupee falls to six pence. She has borrowed a hundred crores in silver, and the cheaper silver becomes, the less she has got to pay." But, gentlemen, when we consider that our revenue is raised in silver, it is difficult to see where the advantage will accrue or how the people's impoverishment will be the country's gain, and I deny the advantage of ruining the public creditor by depreciating the standard of value.

Another gentleman, who would still cling to silver, says: "Abolish pensions, or pay them as well as furlough allowances in rupees." In other words, gentlemen, go through the Insolvency Court, get a discharge, and start afresh!

The "Standard" and the "Economist."

Gentlemen, we have got so far that our proposals and our petition have been noticed at home. The *Standard* and the *Economist* have had articles upon us. As these papers are among the strongest supporters of the gold standard for England and other Western nations, one would naturally expect that they would give their support in advocating a gold standard for India; but it is not so. They deny to a great extent the existence of the alleged evils; they pour cold water on the idea of a gold standard for India; they expatiate on the merits and compensations of a depreciating standard; and as I read through their articles I expected every moment to find them advocating a silver standard for England and urging the English people to secure without delay the unmixed blessing of a pound sterling which is worth only ten shillings! But they do not take this plunge. Silver would ruin England; but as for India that is a different thing!

Lombard Street.

Gentlemen, it is not difficult to see what is at the bottom of this inconsistency. Lombard Street fears for her gold. The gold reserve in England is extremely small; if India adopts a gold standard, there will undoubtedly be demands of some importance from time to time on that reserve, and Lombard Street fears the temporary rise of the rate of discount and disturbance of the London money market that will follow. I blame no man and no class of men for advocating measures which they believe will advance their own interests, but I think the advocacy should be open and above board.

If the gold standard is good for England, France, Germany, Austro-Hungary, and the United States, why must it bring ruin to India. I have as yet seen no answer to that question which would hold water for a moment, because, gentlemen, there *is* none. If the silver standard of value is the best, let us all have silver; if gold is the best, let us all have gold; if bimetallism is the best, let us all be bimetallists. But don't let us follow the policy of Mr. Facing-both-ways, and declare that the gold standard means prosperity in the West and ruin in the East. Gentlemen, I will not waste my words or your time in arguing with those who deny or seek to minimize the evils from which we suffer. They are obvious to all of us who are present here to-day, and these evils are only a foretaste of what we must experience if the Conference comes to no agreement and the United States ceases to purchase silver. This is no

time for compromise or for mincing our words, and we must force the Government of India and the Home Government to act before it is too late.

The *Economist* accuses me of holding that the Government of India can fix the gold value of the rupee by a stroke of the pen. Gentlemen, I hold no such opinion. What I do hold is that if the free coinage of silver is stopped, the gold value of the rupee will tend to rise, and I am not ashamed of that opinion. It is within my experience that if the supply of an article is cut off or reduced, the value of that article will tend to rise, and I have not come across any authority who teaches a different doctrine. The *Economist* dwells upon the evils of the painful process by which the rupee would be raised in value. Gentlemen, we have had experience of the nature of that painful process, and we have had experience of another painful process by which the rupee falls in value, and it is because we are tired of these rises and falls that, failing other relief, we demand a gold standard. Nobody denies that there will be a disturbance when we pass from the silver to the gold standard, but we have had half a dozen such disturbances already; and if we do not secure either bimetallism or a gold standard, we shall go on experiencing these disturbances from time to time till the day of judgment. I should like the *Economist* to study the arguments that were used in the beginning of this century when England had a depreciated paper currency, and when attempts were made to prevent England from going back to a sound metallic standard. Lombard Street came to the front on that occasion, as she is doing now, and declared that the Bank of England notes had not depreciated; that it was gold that had appreciated, and she induced a Committee of the House of Commons to put its name to a report which will remain a monument of folly till the end of time! The *Economist* trots out the old and exploded fallacy that the rates of interest will rise if the rupee increases in gold value. Theory and experience are both opposed to this condition. Our opponents sometimes say that they learned their political economy long ago, and are not going back to school again. Gentlemen, there is such a thing as forgetting what you have learned at school; and when a man tells me that an increase of the value of the standard is accompanied by a rise in the rate of interest and discount, I must ask him to go back, not necessarily to the bullion reports and to the writings of Ricardo, but to some elementary treatise on political economy such as he will find in the hands of the school boys of the present day.

Natives and Europeans, officials and non-officials, combined together.

This Association is neither Anglo-Indian nor native: it includes men of every class and of every creed who can frame an idea on the subject, and who pay their share of taxation to the State, and whose interests are affected by the conditions of the currency. For the first time perhaps in the history of the country we find Native and European, the non-official and the official, united in demanding the reform of our currency system. Some hesitate to go so far as to propound a remedy; some have doubts as to the remedies proposed; but all alike are united in denouncing the existing system and in desiring the change which we desire, however that change may be effected.

"Standard's" Proposal to effect remedy by reducing Home charges.

The *Standard* tells us that the proposal for a reform of the currency is a nostrum, and that the real thing is the reduction of the Home charges. No doubt it would be a good thing to reduce the Home charges, but how are they to be reduced? Let us look a little into these charges. They are estimated to amount to just under £16,000,000 this year. Of this sum I find that more than half (£8,138,000) represents the interest on ordinary and railway debt.

Of course we could reduce that as Portugal has done by repudiating, but you may be sure that Lombard Street would object! The next item in the charges is over 4½ millions (£4,594,500) on account of the Army and £229,000 for Special Defence Works, altogether over £4,800,000. If we felt inclined to reduce the Army charge, England would not allow it. Here we have in these items £13,000,000 out of the estimated £16,000,000. There remain then £3,000,000. Of this sum £2,000,000 represent leave allowances and pensions.

Native instead of European Administration.

It is clear that these cannot be reduced except by a radical change in the *personnel* of the administration, namely, the substitution of Native for European officials. If that is a thing desirable in itself, let the change be effected by all means, but at least twenty years must pass before any appreciable impression is made on that £2,000,000, and after twenty years we might possibly save half the two millions annually. Of the million remaining more than half is absorbed in salaries and expenses in England which it will be difficult to touch. We may often wish that we had no India Office, and could manage our own affairs; but while we have one it must be paid for, and I don't think you are likely to get the Secretary of State himself or any of his establishment to accept 1*s.* 2½*d.*, or less, instead of two shillings.

Apathy in England.

Such articles as we have had in the *Economist* and *Standard* illustrate in a remarkable degree the apparent apathy with which our struggles and sufferings are regarded in England. We must fight this matter out for ourselves, and we must insist on the Government of India taking action before it is too late.

Opposition to the Movement done good.

Gentlemen, it has been a fortunate thing for our movement that it has not had universal support, because had such been the case the currency question would have attracted less attention than it is doing to-day. I don't say we have had any really serious opposition, but we have had enough to keep us alive. We have seen a good deal written and have heard a good deal said of the difficulties and dangers which will surround a gold standard for India. Gentlemen, none of us deny that there may be trouble, and that it may take some time after the transfer from silver to gold is effected till things adjust themselves; but putting aside universal bimetallism or an agreement between India and America in regard to silver, neither of which is likely to come about, will those who condemn the proposed gold standard propound a better scheme? If so, let them bring it forward as we have brought forward ours. They have given us a sample of their destructive criticism; let them now show us something of their constructive ability.

Gentlemen, I think you will agree with me that an honest desire to arrive at a solution of our difficulties has been manifested throughout the discussion to which our proposals have led. We could not expect that a proposal to change India's standard of value from silver to gold would be universally accepted without demur or without some expression of misgiving. To begin with, there are without doubt a number of people who have done very well for themselves in this country despite the fluctuating standard of value, and there are others who more or less live by the fluctuations in silver. There are also a number of people engaged in enterprises which have probably gained to some extent by the depreciation of silver, and who, while admitting that a day of reckoning must come, would be prepared to see it postponed a little longer. But while those of us who are engaged in jute and cotton manufacturing, in tea planting, and other like industries may see advantages in still being able to pay our labour in the depreciated white metal, we feel that there must be a limit to the gullability of the coolie, and that the impossibility of filling his stomach with his wages must eventually lead to a readjustment. From a purely selfish standpoint, therefore, we think the time has come when the depreciation of our currency should be arrested; and as this is impossible while we retain a silver basis, we are determined, failing an international agreement, to rehabilitate silver to seek the standard of every other civilised country, namely, gold.

Support of the Movement.

Gentlemen, the petition was signed by more non-officials than officials, and by more Natives than Europeans. A large number of the Madras mercantile community signed the petition; fifty-eight members of the Calcutta Chamber signed it, besides four partners in other firms which are members of the Chamber as well as the representatives of three companies which are members

of the Chamber, thus making a total of 65 out of 102, or as nearly as possible two-thirds. The petition was also signed by members of the mercantile community in Calcutta who are not members of the Chamber of Commerce.

In Rangoon almost all the merchants signed, but in Bombay very few. All over the country the tradespeople signed the petition. I must say I was hopeful that all the mercantile firms and banks in Calcutta without exception would have supported you, and I must admit I have been a little disappointed. Some of those who did not sign told us that they sympathized with the movement, but desired for reasons which we are bound to respect to remain entirely neutral, while others had referred the matter to their home friends.

But there are also a few members of the mercantile community here, very important members too, who strongly oppose your views, and who honestly think so badly of your proposals that they will lose no opportunity to discredit and thwart you. Your fight, therefore, is not over, although your petition has gone home, for even yet you may see attempts made to injure your movement, and you may even find people trying to induce you to withdraw from the Association. I need scarcely ask you, however, to strenuously resist the wiles of the charmer and to show your determination to stand fast.

Gloomy Financial outlook.

Gentlemen, no good end would be served by drawing a portentous picture of a probable financial panic ; but, knowing what we do, I think you will agree with me when I say that it is the duty of the Government to institute enquiries for themselves with a view to ascertaining what is likely to result in business circles in the East from their allowing our currency to continue to depreciate. I think you will also agree with me when I say that the public will hold the Government responsible for the consequences of their apparent inaction.

Imperial Federation.

We have heard a good deal in recent years of Imperial Federation, of a cementing together of the different parts of the British Empire. We have even seen a magnificent monument erected in London, the Imperial Institute, as evidence that England is the centre of the United British Empire. Gentlemen, if this federation is to be anything more than a mere hollow mockery, it is essential that the Empire should be bound together by a common standard of value.

The "Times."

Some time ago Reuter rather misled us by his telegrams as to the views of the *Times* on this currency question. When the papers reached India, we found it was not the *Times*, but a retired Indian official writing in the *Times*, who had advocated impracticable remedies. Now, however, the great Thunderer himself has spoken, and spoken very much to the point. The *Times* declares that as bimetallism will not suit England, the only complete remedy for your currency troubles is the adoption of a gold standard. The Indian Press is unanimously with you ; and now that the *Times*, after having heard your case, has had the courage and the fairness, in the very nest of the gold bugs, to pronounce for your proposals, you may reasonably expect to see them carried through.

I now beg to propose the following resolution : "That the report of the Central Committee, dated 25th August 1892, be adopted, and that the Committee be authorized to give effect to their proposals."

His Highness the Maharaja of Bettiah had much pleasure in seconding the resolution, which was put to the vote and carried unanimously.

MR. J. A. ANDERSON, in proposing the next resolution, said :

Mr. Mackay has called your attention to the fact that certain of our oldest and most respected mercantile firms are standing aloof from the currency movement ; indeed, some few are in active opposition, affirming that the industries with which they are connected were never more flourishing, and that the lower exchange goes, the better they like it. Well then, gentlemen, if nothing

is done, and we are allowed to drift after America has ceased her purchases of silver, we will have to face a deficit on the Home charges which may amount to 25 crores ; and it is only reasonable that those who profit by the depreciated rupee should step into the breach and relieve us of this incubus. If tea and jute mills and cotton mills are flourishing on what is a general misfortune to the rest of the community, then let them bear their share of the burden. Why does not the pamphlet writer on the currency question who advocates allowing things to take their course come forward to assist Government in assessing the various industries that profit by the depreciation of our currency? This would be a sensible course, but to advocate a policy that must bring about a huge deficit without showing how that deficit is to be met would not even commend itself to a financier of the Micawber type.

If, gentlemen, the machinations of those who oppose us, added to the obstructive influence of Lombard Street, shall for a time nonplus all our efforts, we must make a resolute stand as regards how this fresh enormous taxation is to be met, and stoutly resist any attempt to foist it on to the poor in the shape of increased salt tax or renewal of the duties on Manchester goods. We must see that the saddle is put on the right horse. If necessary, gentlemen, we will hold another public meeting, and it will not be to petition anybody, but to insist that our Government shall place the increased taxation on the proper shoulders. That meeting will not be in the Town Hall, because the Town Hall won't hold the masses that will crowd to it. We shall then have not only the educated natives with us as now, but also the entire native population at our backs. Though the latter have been unable to follow the jumble that has been placed before them in the shape of discussions about the exchange question, they are quite able to understand when increased taxation is the subject-matter.

The Indian Currency Association has so far brought forward the only scheme by which the Government can be carried on with "honest money;" and until our opponents draw up a budget showing how the deficit is to be met when America ceases to buy silver, their ideas are not worthy of consideration.

We are now paying the penalty of our callous neglect of our poorer brethren. We have seen rice steadily rise as the rupee fell in value till it is now in good season quite 100 per cent. over what was its ordinary price 20 years ago. In the cheaper classes of food used by the very poorest classes we have seen rates go up from 8 annas to 10 annas per maund to Rs. 2, and all this without any equivalent increase in wages. Tea gardens and mills may think they have grown fat upon it, and their proprietors may have chuckled over the reduction, in wages which the depreciated rupee gave them without a strike—indeed, without the unfortunate sufferers knowing the cause ; but the deficit has grown too big to be paid for the poor, so at length our Government tardily hints that it has now awakened to the necessity of doing something.

The fight in which we have engaged has had for its object the giving to this country a currency basis the same as is enjoyed by other civilised nations. We advocated a money that we could either give to or receive back from the rest of the world. We demanded "honest money," and "honest money" we shall get in spite of all opposition. In furtherance of this I have much pleasure in proposing the second resolution, *viz.*:

"That this meeting views with alarm the condition into which the currency of this country is drifting in relation to gold, and the crisis which appears to be approaching; and it desires to place on record its opinion that the Government of India should take such steps as they may think expedient, in the general interests of the country, to arrest further depreciation pending the result of the deliberations of the 'Conference about to sit in Europe.'"

Baboo Jodoo Lall Mullick had much pleasure in seconding this resolution. He had heard with great concern what fell from the lips of the President, and did not think it would be well for either the Europeans or the natives of this country to stand quiet when there was such imminent danger staring them in the face. He would just say a few words from a native standpoint. (Hear, hear.) As to the other side, they were well represented by those who were members of the Currency Association. As far as he could see, the real ground of opposition among the merchants was this. There was a great question of

self-interest underlying the whole thing. It had been said that the natives of this country were supremely indifferent about this question, but the speaker emphatically denied this. The thinking part of the native community had for some time given this matter their serious consideration. These saw clearly and were well aware, if there was a large deficit which had to be met, the bulk of it would be met by the people of this country. There was a very large proportion of his fellow-countrymen who were dumb and voiceless, but would they continue so when they came to pay more to meet this deficit? The Europeans who came to this country were strong enough to resist any undue attempts on the part of the Government to tax them disproportionately. It was true that they tolerated the present income tax, but this was because the question of the frontier defence had reconciled them to it. Of course the Government of India, as far as he could understand, were very anxious to come to some correct solution of the problem, but there was some difficulty in their way. The Government of this country were unable to get sympathy from the Government at home, and for obvious reasons. That being the case, the natives of this country should, in the speaker's humble opinion, in every possible way support this Association in order to arrive at a speedy adjustment of the currency question. (Applause). He thought it was incumbent upon every section of the native community to be members of this Association, and to force the Government both here and in England to come to an early adjustment of this vexed question.

A welcome to criticism.

MR. W. J. M. MCCAW said:

Gentlemen, the resolution which falls to my lot to propose is a very pleasing one; it is "that a vote of thanks be given to the Honourable Mr. Mackay for presiding on this occasion." I feel assured that this will commend itself at once to the approbation of the meeting without any words of mine of a laudatory nature; but my personal feelings will not permit me to put the resolution forward without an expression of the deep sense of gratitude which, I think, we all owe to our friend, Mr. Mackay, for the unwearied application, the exhaustive research, and the valuable gift of his by no means free time, which he has conferred during the past two or three months for the furtherance of the object which we all have so much at heart. I am only stating what is very generally recognised when I say that it is probable that this currency question, which has for so long past slumbered in its quiescent stage of academic discussion, would in all likelihood have continued to do so had it not been taken in hand by such an active-minded and energetic man as Mr. Mackay; and should the outcome of the present agitation be the stirring up of the Home Government and the Government of India to an attentive and reasonable consideration of the disabilities under which the country is labouring, our thanks will be due in the main to our worthy President for having brought this about.

I need only point, gentlemen, to his speech at the inauguration meeting of this Association at Simla, to his still more detailed and elaborate discussion of all the varied elements in this very complex problem in his address delivered in this Hall only a few weeks ago, and to the multiplicity of correspondence which has appeared above his signature in the columns of the daily press ever since that meeting was held, to bring at once prominently before you the laborious task which he has undertaken, and the unflinching manner in which he has carried it to its present satisfactory stage.

It was with feelings of regret, which I am sure you will all share, that I was made aware a day or two ago that excessive work had told upon his physical strength, and that he is obliged to take a short period of rest from his arduous duties. I can only express a sincere hope that he will be able to return to us ere long with his loins well girded to aid us with his counsel and advice and to again take the lead in this movement, which only requires proper direction and watchful care to make it appeal to the whole of the educated population of India in such a forcible manner as to make the demand for an alteration in the Currency laws of this country so irresistible that no Government can withstand it. Since our last meeting here our Association and its object have been subjected to some very severe criticism in the columns of some of the leading London journals.

Now I welcome this criticism most warmly. Some of the opponents of this Association (though why the majority of them style themselves opponents I have never yet from their talk or writings been able to discover) express themselves jubilantly over the recent article in the London *Economist*. I must say that I myself was rather pleased than otherwise after having read that article, for it was to be expected that the *Economist* would take up a strong antagonistic position with regard to the proposed settlement of this question; and if the arguments put forward by that paper are the most powerful that can be used, I think there is a great hope for us yet.

The main object of this Association is to call attention first of all to the grave nature of the present condition of affairs, and, secondly, to try to devise some means by which the situation will be improved, and which will prevent a recurrence of the evils which we have all so much cause to dread. This can only be done by the fullest and freest discussion and ventilation; and it is for this reason that I welcome the interest which is being taken by the well-recognised and widely-read organs of public opinion at home in this subject. I have confidence in the strength of our case; and the more clearly it is understood, the more certain will we be of getting justice done. What the exact nature of the best remedy for the present disease may be is quite a matter for open discussion; we grant this freely in our memorial to Parliament; but that some remedy is required admits of no doubt, and the remedy which we have put forward has yet to be proved to be unworkable, and has yet to be supplanted by a better. I have great pleasure, gentlemen, in proposing a vote of thanks to Mr. Mackay. (Cheers.)

Mr. David Lyall, C.S.I., said he had much pleasure in seconding the vote of thanks which had been proposed by Mr. McCaw. In fact, it was a vote of thanks to Mr. Mackay for presiding that evening, but in reality Mr. Lyall thought that all agreed it was a vote of thanks for all the trouble Mr. Mackay had taken, and for all he had done for this Association from the beginning to the end. (Cheers.) He thought they were all bound to show their sense of gratitude for favours to come, and for what they all hoped he would do in the future for them.

MR. MACKAY said:

Gentlemen, I am very much obliged to you for your vote of thanks. In acknowledging it, I would just like to say that if any of those persons who think that our petition was too strongly worded, and who refused in consequence to sign it, will draw up a milder document to suit their views, so long as it urges upon "the powers that be" the necessity for the adoption of a stable standard for our currency, I shall be happy to place my services at their disposal, and will undertake to help them. I think I can safely offer them the benefit of our widespread organisation, and I think I may also promise that they will receive not only your support, but the support of the Indian Currency Association throughout the length and breadth of India.

In acknowledging the vote of thanks which you have been good enough to accord to me, I on my part would take this opportunity to thank the Members of the Central Committee in Calcutta and the Chairman and Members of all the branch Committees for the great amount of trouble they have taken to ensure the success of this movement. My thanks are also due to all the eleven thousand members of the Association. Every one has worked with a will in the common cause, and no one has grudged either time or trouble. When we secure a stable standard of value for India, we shall have our reward.

This closed the proceedings.

43.] Report of Central Committee, Indian Currency Association, dated Calcutta, 25th August 1892.

CENTRAL COMMITTEE.

Hon'ble Sir Comer Petheram, KT., Q.C.

,, Sir Griffith Evans, K.C.I.E.

,, J. T. Woodroffe, Barrister-at-Law.

Mr. J. A. Anderson, of Messrs. Anderson, Wright & Co.

Mr. W. J. M. McCaw, of Messrs. Kettlewell, Bullen & Co.
Hon'ble Mr. Wallis, of Messrs. Manton & Co.
Mr. D. J. Zemin, of Lewis, Stewart & Co.
„ A. C. Marshall, Agent, Chartered Bank of India, Australia, and China.
„ J. H. Apjohn, M.A., Vice-Chairman, Port Commissioners.
Maharaja Sir Jotendra Mohun Tagore, Bahadur, K.C.S.I.
„ Sir Narendra Krishna Bahadur, K.C.I.E.
Hon'ble J. Lambert, C.I.E., Commissioner of Police.
Mr. A. G. Apcar, of Messrs. Apcar & Co.
„ J. C. Orr, Solicitor.
„ W. K. Eddis, Solicitor.
„ S. Finney, Manager, Eastern Bengal State Railway.
„ C. Deas, of Messrs. Burn & Co.
Hon'ble Syed Amir Hussein, C.I.E.
Mr. T. W. Anderson, of Messrs. Macknight, Anderson & Co.
Hon'ble Kally Nath Mitter, Solicitor.
Baboo Jodoo Lall Mullick.
„ Ramanath Ghose.
Nawab Abdul Lutif, Khan Bahadur, C.I.E.
Prince Muhammad Bakhtyar Shah.
Dr. Trailokya Nath Mitter, Pleader, High Court.
Mr. G. Irving, of Messrs. T. E. Thomson & Co.
„ J. G. Ritchie, Chairman, Corporation of Calcutta.
Prince Jahan Kader Mirza.
Mr. S. P. V. Luke, C.I.E., Director of Construction, Telegraph Department.
„ S. Keith Douglas, of Messrs. Carlisles, Nephews & Co.
„ W. T. Spink, of Messrs. Thacker, Spink & Co.
„ J. G. Womack, of Messrs. Harman & Co.
Hon'ble Dr. Mahendra Lall Sircar, C.I.E.
Kumar Benoya Krishna, Bahadur.
Baboo Shewbux Bugla, Merchant.
Mr. Reginald Murray, Agent, Chartered Mercantile Bank of India, London, and China.
„ R. D. Mehta, of Messrs. D. B. Mehta & Co.
Baboo Sitanath Roy, Solicitor.
H. H. the Maharajah of Bettiah, K.C.I.E.
Hon'ble Prince Furrokh Shah.
Rajah Sir Sourindra Mohun Tagore, Bahadur, K.C.I.E.
Nawab Mir Muhammad Ali.
Mr. C. H. Tawney, C.I.E., Director of Public Instruction.
„ J. S. Slater, B.A., C.E., Principal, Civil Engineering College, Seebpo
„ O. Schmidt, of Messrs. Ernsthausen & Co.
„ Geo. Lyell, of Messrs. Macneill & Co.
„ J. B. Ferry, of Messrs. Ulmann, Hirschhorn & Co.
„ F. Mathewson, Superintendent of Peninsular and Oriental Stea Navigation Company.
„ H. M. Ross, of Messrs. Ernsthausen & Co.
„ K. Euler, of Messrs. F. W. Heilgers & Co.

Branches of the Association have now been formed at the following places :—

Agra.	Jubbulpore.
Aligarh.	Julpaigori.
Allahabad.	Kurrachee.
Amritsar.	Kasauli.
Amraoti.	Kohat.
Amgoori.	Kolar (Mysore).
Bangalore.	Lahore.
Bankipore.	Lucknow.
Bara.	Madras.
Bareilly.	Mandalay.
Benares.	Meerut.
Bombay.	Mirzapore.
Calicut.	Moulmein.
Cawnpore.	Moulvie Bazar.
Chittagong.	Mozufferpore.
Cochin.	Murree.
Dacca.	Mussoorie.
Dalhousie.	Naini Tal.
Darjeeling.	Nagpore.
Dehra Dun.	Negapatam.
Dharwar.	Nowgong.
Dibrugarh.	Ootacamund.
Dinapore.	Pegu.
Dum Dum.	Peshawar.
Dungagali.	Poona.
Ghazipur.	Rajahmundry.
Gonda (Oudh).	Rangoon.
Goruckpore.	Rawal Pindi.
Gurdaspore.	Secunderabad.
Gya.	Shillong.
Hoshungabad.	Sibsagar.
Hoshiarpore.	Simla.
Hyderabad.	Tellicherry.
Jhansi.	Trichinopoly.

Travancore.

Numerous public meetings have been held throughout the country, and the petition to the House of Commons, praying that the Government of India may be empowered to take such measures as may seem to it fit to adopt gold instead of silver as the standard for the currency of this country, has been signed by upwards of 11,778 persons, of whom 5,289 are Europeans and 6,489 are natives. The signatures embrace all sections of the community, all races, all creeds, the following being a rough analysis of the signatures :—

Native Princes, noblemen and gentlemen	56
Government servants	2,523
Zemindars	153
Planters	216
Merchants	861
Bankers	406
Brokers	145
Tradesmen	1,268
Solicitors	33
Pleaders	127
Vakils	26
Barristers	97
Bank Agents	32
Medical men	218
Engineers	119
Railway Managers	12
Railway employés	441
Officers of the Army	883
Manufacturers	32
Employés of manufacturers	252
Shipowners	5
Employés of shipowners	208
Employés of merchants	338
Employés of tradesmen	198
Others	3,129
TOTAL	11,778

The Committee have already forwarded the petition along with a large number of signatures to England, so that it may be ready for presentation to Parliament as soon as the House of Commons re-assembles. Additional signatures received after despatch of the petition will be sent forward separately.

The Committee also propose to send a copy of the petition, with a copy of this report and a copy of the Proceedings of the General Meeting to be held on 25th August 1892, to each Member of both Houses of Parliament, and to the Chambers of Commerce in Britain.

They also propose to send thirty copies of the petition to the Government of India with a respectful request that a number of copies may be sent to the Secretary of State for India, together with a number of copies of this report and copies of the report of the Proceedings of the General Meeting to be held on 25th August 1892.

The Committee also propose to supply to the various branches of the Association as many copies as may be required of the following papers :

Copies of this report.

Copies of the Proceedings of the General Meeting of the Association to be held on 25th August 1892.

The work of the Association in Calcutta will now be carried on by a small Sub-Committee of the General Central Committee, and Mr. H. M. Ross, of Messrs. Ernsthausen & Co., No. 7, Loudon Street, has kindly consented to become Honorary Secretary; and to him all communications should in future be addressed.

JAS. L. MACKAY,

President.

44.] No. 279, dated 12th October 1892.

From—The Government of India,

To—The Secretary of State for India.

We have the honour to acknowledge the receipt of Your Lordship's despatch No. 159 (Financial), dated 25th August 1892, on the subject of the memorial of the Indian Currency Association.

2. A copy of the despatch was supplied to the President of the Association, and we now transmit, for Your Lordship's consideration, copy of a further communication which Mr. Mackay has addressed to us.

45.] No. 279, dated 24th September 1892.

From—R. J. HARRISON, Esq., Honorary Secretary, Darjeeling Planters' Association,

To—The Secretary to the Government of India, Finance and Commerce Department.

I have the honour to forward herewith a memorial addressed to His Excellency the Viceroy in Council from the Darjeeling and Terai Planters' Association on the subject of the Indian currency question, and to request that you will be good enough to lay it before him in due course.

46.] Dated 24th September 1892.

To—His Excellency the Most Honourable HENRY CHARLES KEITH, PETTY FITZMAURICE, MARQUIS OF LANSDOWNE, G.M.S.I., G.C.M.G., G.M.I.E., Viceroy and Governor General of India in Council.

The humble memorial of the Darjeeling Planters' Association—

SHEWETH,—That your memorialists are an association representative not only of the European and Indian capital, which for the last thirty years has been so largely invested in the development of the staple industry, *viz.*, the tea industry, carried on in the hill districts of Darjeeling and Kurseong and in the

district of the Terai, but also of the important resident community of skilled Europeans who for a like period have been similarly engaged.

2. To that capital and to the efforts of that community is almost entirely attributable the degree of prosperity at present enjoyed by the districts named.

3. Your memorialists have read with concern the petition of the Indian Currency Association addressed to the Honourable the House of Commons, praying that the Government of India be fully empowered to take such immediate measures as to it may seem fit for the purpose of remedying the evils attending on the present condition of the Indian currency system, for instance, by the prohibition of the free coinage of silver and by the adoption of gold as the monetary standard of value.

4. Your memorialists submit that if that prayer be granted and acted upon, there is every probability that the Indian tea industry will collapse.

5. In clause 20 of the petition above referred to it is stated that, under the present conditions of the currency system, "the exporter is no gainer, for each fall in exchange is followed by an equivalent fall in the gold price of the commodities he exports." Your memorialists submit that this statement, besides being an insufficient representation of the facts, is one which it is extremely difficult, if not impossible, to verify. On the other hand, it is a fact well within the experience of your memorialists that the fall in gold prices at home, which has been going on steadily for the last twenty years, is attributable to *over production of tea*. That it has nothing to do with the fluctuations of exchange is obvious from the fact that within recent years, whenever the gold value of the silver rupee has risen in England, that rise has not been followed by an equivalent rise in gold prices.

6. In clause 22 of the same petition it is stated that "the investment of English capital in the development of the material resources of the Empire is discouraged; for, both as regards the remittance of interests and the final transfer of invested profits and economies, the continuous fall in exchange imparts to the investment of capital in this country a speculative character and a risk which the capitalist is unwilling to face." Your memorialists submit that, apart from the fact that many of the capitalists engaged in the development of the Indian tea industry are resident in India, thus eliminating to a great extent the question of remitting interest home, and also apart from the fact that the idea of finality is a very indeterminate one to attach to the operations of the English capitalist, which are continuous operations, and therefore postulate the return to India under advantageous conditions of exchange, and in the shape of further capital of the interest previously remitted home, it is within the experience of your memorialists that whatever difficulties they meet with in procuring financial assistance from capitalists resident in England are also, like the fall in gold prices at home, attributable to *over production of tea* and not to any deterrent effects produced upon English capitalists by the fluctuations in exchange.

7. Those countries which still retain silver as their monetary standard of value have hitherto entered into no international agreement under which they shall all combine (1) to check the present continuous fall in the value of silver, or (2) to impart a character of stability to any rate of exchange upon which they may fix for the rupee or dollar, or (3) to adopt gold as the common monetary standard of value.

8. China is a country with a silver standard, and the rise and fall of the price of her silver *tael* is regulated by the same conditions that govern the fluctuations in the price of India's silver rupee. She is also a tea-producing country, and thus enters into competition with the community who are engaged in developing the tea industry of this country. In days gone by China exported as much as 170 millions of pounds of tea to the London market. Since then, however, the superior quality of the tea exported to the same market from India has precluded China from exporting more than 50 millions of pounds, and thus the ascendency in this respect, once belonging to China, has been transferred to, and now rests with, India.

9. Your memorialists submit that any interference, such as that prayed for in the petition of the Indian Currency Association, with the natural

course of exchange between India and the country where both she and China find a market for their teas would inevitably cause the price of the Indian rupee either to be stationary or to rise gradually or suddenly, whilst at the same time the price of the Chinese *tael* would be falling; and your memorialists are therefore apprehensive not only lest China should in consequence of that interference regain the ascendency which has been wrested from her, but even lest the tea industry of India should be entirely and irretrievably ruined.

Your memorialists, therefore, pray that, until such time as an international agreement is entered into by all countries having a silver standard, the Government of India, even if empowered by Her Majesty's Government in the way prayed for in the petition of the Indian Currency Association, will stay its hand and not interfere with the present condition of the currency system; for under it those engaged in the Indian tea industry enjoy a considerable degree of prosperity, and this to the best of their ability they endeavour to share with all with whom they are connected, thus making the surrounding regions what they are, a happy district for the natives, with busy factories and an enormous population of industrious, contented coolies—a prospect which will immediately vanish should the prayer of the petition above alluded to be granted, and Your Excellency's Government act upon the powers conferred on it.

And your memorialists, etc.

47.] No. 4189-A., dated 12th October 1892.

From—J. F. FINLAY, Esq., Secretary to the Government of India, Finance and Commerce Department,

To—The Honorary Secretary, Darjeeling Planters' Association.

I am directed by the Governor General in Council to acknowledge receipt of your letter No. 279, dated 24th September 1892, forwarding a memorial to His Excellency the Viceroy in Council from the Darjeeling Planters' Association on the subject of the Indian currency question.

The Government of India understand that the memorialists object, in the interests of the Indian tea industry, to any change in the Indian standard of value whereby the rupee would be given a fixed value in relation to gold, while at the same time the silver standard of China might continue to depreciate relatively to gold and to the Indian rupee under the new condition of things.

2. The prosperity of the tea industry of India is necessarily a matter of concern to the Government of India, and the arguments contained in the memorial have been carefully considered. The Governor General in Council will not offer any opinion at the present time on the expediency of attempting to introduce a gold standard into India; the question has often been discussed and the arguments *pro* and *con* are doubtless familiar to the memorialists. There is one matter contained in the memorial, however, which appears to the Government of India to require careful examination.

The memorialists apprehend that if the value of the rupee were fixed with reference to gold, while the gold value of the Chinese *tael* continued to fall, China would obtain such an advantage over India in the production of tea that she would regain the ascendency which she has lost, and that the tea industry of India might be entirely and irretrievably injured. In other words, the memorialists contend that if two countries compete in the production of the same article, the country of which the standard of value is depreciating relatively to the standard of the other country must prove successful in the competition.

It is this proposition which in the opinion of the Government of India requires examination.

3. It is unnecessary to remind the memorialists that international trade is regulated by, and dependent upon, the comparative cost of production of commodities. India, for example, grows tea and exports it to England in exchange for (say) cotton goods, because it is found that by devoting a certain amount of labour and capital to the production of tea, and exchanging that tea for cotton goods, a larger quantity of cotton goods is obtained than could be secured by devoting the same amount of labour and capital to the direct production of cotton goods in India.

It is obvious that the real cost or amount of labour and capital required to produce tea, piece goods, and all other commodities must remain precisely the same whatever the standard of value may be, and a change of standard cannot possibly, therefore, have any effect on the fundamental conditions which regulate international trade. Accordingly, if a change in the value of the monetary stand injuriously or beneficially affects the production of any commodity, it must do so by impeding or facilitating (as the case may be) the operations of production and trade rather than by modifying the essential conditions on which production and trade depend. Is it then the case that the depreciation of the standard of value necessarily stimulates the production of articles of export; if so, is such stimulus permanent, and is it attended with any drawback?

4. A mere alteration in the relative value of gold and silver, leading to an alteration in the exchange between two countries, confers no advantage on the one country over the other in so far as regards the exchange of commodities for commodities. For example, if a certain number of pounds of tea sell for Rs. 100 and a certain number of yards of calico sell for £10, and if Rs. 100 are worth £10, India will receive Rs. 100 for her tea and pay £10 or Rs. 100 for her piece goods. Assuming that the relative value of gold and silver alters, so that it takes Rs. 120 to equal £10 in value, India will, other conditions remaining the same, receive Rs. 20 more for her tea than she did before, but she will have to pay Rs. 20 more for her piece goods, and consequently the country *as a whole* in that exchange of commodities for commodities which constitutes international trade neither gains nor loses by a fall in the gold value of silver.

Since the country *as a whole* neither gains nor loses in the international trade by the fall in the value of silver, it follows that, if the tea industry gains by the fall, such gain must be made at the expense of other members of the community; in other words, for every additional rupee which the producer of tea receives, owing to the fall in exchange, on account of tea exported, some other person in India has to pay a rupee more as the price of articles imported.

5. It may now be considered what is the nature of the gain made at the expense of other members of the community by the producer of goods for export when silver falls relatively to gold, whether this gain is permanent or not, and whether it is attended with corresponding drawbacks. The gain (if any) made by the producers of tea when silver falls relatively to gold arises solely from the fact that the alteration in the value of silver affects the exchange with England and the wholesale price of tea before it acts on other prices and on wages. If all the expenses of the tea producer rose simultaneously with, and to the same extent as, the rise in the wholesale price of his tea, due to a depreciation of the standard, he could derive no benefit from depreciation. It is the fact that all prices and wages do not rise simultaneously to the full extent that enables him to make a slight and temporary profit at the expense of the persons whom he employs, and of all other persons to whom he has to make fixed money payments.

This profit is usually only temporary, since with the depreciation of the standard all wages and prices tend to rise, and when the rise is completed the profit disappears. If the profit should happen to be considerable, and should last for some time, it supplies an unnatural and temporary stimulus to the trade, which leads to overproduction and consequent reaction.

Moreover, large and sudden falls in the value of the standard necessarily imply the possibility of large and sudden rises, and fluctuations in the price of a commodity due to alterations in the value of the standard cannot fail to have an injurious effect on the trade as a whole.

6. The Government of India feel sure that the memorialists will admit that international trade must be considered as a whole; that trade and production are extended and improved by everything that adds to the welfare of the country at large; and that illegitimate and temporary gain made by one section of the community at the expense of another can only prove injurious in the long run.

In this view of the case it cannot be doubted that the possession of the same standard of value by two countries must, other things being equal, increase not only the total trade between the two countries, but the trade in each particular article, while the existence of two standards fluctuating in relative value constitutes a grave impediment to business, and not only reduces the aggregate

of business, but injuriously affects every industry which contributes to make up that aggregate. It appears, therefore, to the Government of India that if India possessed the same standard of value as England, always assuming that that standard of value was in itself a good one, trade between the two countries would be stimulated instead of checked, and every industry in both countries contributing to that trade would be benefited instead of injured.

7. To sum up, the Government of India are of opinion—

(1) That a country as a whole makes no gain in its international trade by a depreciation of its standard, since the extra price received for its exports is balanced by the extra price paid for its imports.

(2) That the producer of an article of export may make a temporary and unfair gain from depreciation of the standard at the expense of his employés and of other persons to whom he makes fixed payments.

(3) But that this gain, while not permanent, is counterbalanced by a tendency to overproduction, and consequent reaction and depression, by a liability to sudden falls in price as well as to rises, and by the check to the general increase of international trade which necessarily results from the want of a common standard of value between countries which have intimate commercial and financial relations.

If the Government of India are right in the views they have just expressed, and they entertain no doubt as to their correctness, it will follow that the adoption of the same standard of value by England and India, always assuming that standard to be in itself a good standard, would facilitate international trade, stimulate production in both countries, and place China at a disadvantage as compared with India in the production of tea, as well as of all other commodities, for sale in the English market.

8. In conclusion, I am to say that a copy of the memorial will be forwarded for the information of Her Majesty's Secretary of State for India.

48.] No. 286, dated 19th October 1892.

From—The Government of India,

To—The Secretary of State for India.

We have the honour, in continuation of the papers already transmitted to Your Lordship on the subject of the Indian currency, to forward herewith copy of a memorial from the Darjeeling and Terai Tea Planters' Association, praying that no change may be made in the existing currency system until an international agreement can be entered into by all the countries which have a silver standard.

2. We also enclose copy of a letter which has been sent to the Association dealing with the main argument on which the memorial is based.

49.] Dated 30th September 1892.

Telegram from—The Secretary of State for India,
To—The Government of India.

The appointment of a Committee under the presidency of Lord Herschell has been decided upon for the purpose of advising as to whether it is expedient that any steps should be taken to modify the Currency Act.

50.] Dated 13th October 1892.

Telegram from—The Secretary, Indian Currency Association, Bombay,
To—The Secretary to the Government of India, Finance and Commerce Department.

Following resolution passed yesterday by this branch of Association: *Resolution begins*—"Carried unanimously that the Government of India be moved to request Mr. Mackay to proceed to England to give evidence before Lord Herschell's Committee, and that it be suggested that the evidence of Mr. J. Sleigh, Secretary, Bank of Bombay, 11, Dryden Place, Newington, Edinburgh, Mr. Beith and Mr. Charles MacDonald of Manchester, and Mr. James Thorburn of Forbes, Forbes & Co., London, be also taken."—*Resolution ends.* Respectfully requested that this resolution may be laid before Supreme Government.

51.] No. 4235-A., dated 14th October 1892.

Telegram from—The Government of India,
To—The Secretary of State for India.

Bombay Currency Association unanimously passed following resolution: *Begins*—"That the Government of India be moved to request Mr. Mackay to proceed to England to give evidence before Lord Herschell's Committee, and that it be suggested that the evidence of Mr. Sleigh, Secretary, Bank of Bombay, 11, Dryden Place, Newington, Edinburgh, Mr. Beith and Mr. Charles MacDonald of Manchester, and Mr. James Thorburn of Forbes, Forbes & Co., London, be also taken."—*Resolution ends.* We will enquire whether Mr. Mackay is willing to go.

52.] Dated 14th October 1892.

Telegram from—The Honorary Secretary, Currency Association, Calcutta,
To—The Secretary to the Government of India, Finance and Commerce Department.

Am instructed to forward following resolution passed at to-day's meeting, Central Committee:

"This Committee is of opinion that at present juncture the interests of India require special and adequate representation at home, and would urge upon Government the desirability of deputing the Honourable Mr. Mackay to proceed to England to give evidence before Lord Herschell's Committee."

53.] Dated 15th October 1892.

From—H. M. Ross, Esq., Honorary Secretary, Central Committee, Indian Currency Association,
To—The Secretary to the Government of India, Finance and Commerce Department.

I have the honour to inform you that at a meeting of the Central Committee of this Association held yesterday the following resolution was passed:

"That the Committee is of opinion that at the present juncture the interests of India require special and adequate representation at home, and would urge upon the Government the desirability of deputing the Honourable Mr. Mackay to proceed to England to give evidence before Lord Herschell's Committee."

In view of the probable early meeting of Lord Herschell's Committee, it was thought desirable that no time should be lost in communicating to the Government of India the foregoing resolution, and I therefore telegraphed to you last evening as per enclosed copy.

54.] Dated 19th October 1892.

Telegram from—The Honorary Secretary, Indian Currency Association, Madras,

To— The Secretary to the Government of India, Finance and Commerce Department.

The Committee of the Madras Branch, Indian Currency Association, respectfully urge upon Government the advisability of sending the Honourable Mr. Mackay to England to give evidence before Lord Herschell's Committee, and to fully represent the views of the Association and the grave position in which India is placed by its depreciated and uncertain currency.

55.] Dated 22nd October 1892.

Telegram from—The Honorary Secretary, Indian Currency Association, Ootacamund,

To—The Secretary to the Government of India, Finance and Commerce Department.

At meeting held here to-day Local Committee, Indian Currency Association, passed following resolution:—Unanimously this Committee is of opinion that the deputation of the Honourable Mr. Mackay to give evidence before Lord Herschell's Committee is most desirable, and hope that Government of India will take steps to this end.

56.] No. 4416-A., dated 28th October 1892.

From—J. E. O'Conor, Esq., Assistant Secretary to the Government of India, Finance and Commerce Department,

To—{ The Honorary Secretary, Currency Association, Bombay.
The Honorary Secretary, Central Committee, Indian Currency Association, Calcutta.
The Honorary Secretary, Currency Association, Madras.
The Honorary Secretary, Currency Association, Ootacamund.

I am directed to acknowledge the receipt of your telegram dated the 13th, 14th, 19th and 22nd October 1892, and in reply to say, for the information of the Members of the Currency Association, that the Government of India has been informed by Her Majesty's Secretary of State for India that the Committee appointed under the presidency of Lord Herschell will receive evidence, and Mr. Mackay has accordingly proceeded to London to lay his views before it, but he has not been deputed for the purpose by the Government of India as suggested by the Association.

[*2. I am to add that your telegram having been sent to the Secretary of State, the Government of India has been informed by His Lordship that the suggestion of the Association for the reception of evidence from gentlemen now in England will be placed before Lord Herschell's Committee.]

57.] No. 219 (Financial), dated India Office, London, 3rd November 1892.

From—The Secretary of State for India,

To—The Government of India.

Your Excellency was informed by my telegram of the 30th of September that it had been decided to appoint a Committee, over which the Lord Chancellor would preside, to advise whether it is expedient that any steps should be taken to modify the Indian Currency Act; and by my subsequent telegram of the 21st of October you will have learned that the other members of the Committee are the Right Honourable Leonard Henry Courtney, M.P., Sir Thomas Henry Farrer, Bart., Sir Reginald Earle Welby, G.C.B., Mr. Arthur Godley, C.B., Lieutenant-General Richard Strachey, C.S.I., and Mr. Bertram Wodehouse Currie.

2. A copy of my letter to the Lord Chancellor of the 21st of October appointing the Committee is enclosed for Your Excellency's information.

* To Bombay only.

3. The letters from your Government which have up to the present date been laid before the Committee, with their enclosures, are those in the Financial Department numbered as in the margin.

Nos. 68, 160, 183, 205, 217, 228, 230, 231, 254, 255, 261, 271 and 272.

58.] No. 4641-F., dated India Office, London, 21st October 1892.

From—The Secretary of State for India,

To—The Lord High Chancellor.

I enclose, for Your Lordship's perusal, a copy of a correspondence which has recently passed between the Secretary of State for India in Council and the Government of India, in which, as you will observe, that Government submits proposals for stopping the free coinage of silver in India with a view to the introduction of a gold standard.

It is unnecessary for me to dwell upon the grave difficulties with which the Government of India are confronted in consequence of the heavy fall in the gold value of silver or upon the serious nature of the measures which they propose.

It is on account of the great importance of these measures, the effect of which, if they are adopted, will by no means be confined to India, that I have decided to request Your Lordship to preside over a Committee for the purpose of considering the proposals of the Government of India as contained in this correspondence, and to advise whether it is expedient that Her Majesty's Government should allow them to be carried into effect.

In case the Committee should be of opinion that there is no sufficient ground for overruling the Government of India, but that the measures by which they propose to attain the object which they have in view require modification, I shall be glad to receive any suggestions which the Committee may have to offer.

The Committee will meet at this office, and its proceedings must for obvious reasons not be open to the public; but, subject to this condition, the Committee will proceed in the manner which they think best.

Your Lordship having already intimated to me that you will accede to my request, the Committee will be constituted as follows:

The Lord High Chancellor.
The Right Honourable Leonard H. Courtney, M.P.
Sir Thomas Henry Farrer, BART.
Sir Reginald Earle Welby, G.C.B.
Arthur Godley, Esq., C.B.
Lieutenant-General Richard Strachey, C.S.I.
Bertram Wodehouse Currie, Esq.

I trust that as the matter is urgent, and as the inquiry will be confined to the points which I have mentioned, the Committee may be able to report upon an early day, and that their meetings may be arranged accordingly.

It is now understood that the Monetary Conference will meet at Brussels on the 22nd of November, and it would be very advantageous if I could receive the report of the Committee before that date.

59.] Dated 24th October 1892.

From—DAMODUR GOCULDAS MUNJIE, Bombay,

To—The Secretary to the Government of India, Finance and Commerce Department.

I beg to inform you that at the request of the Native leading traders (Import) of the City of Bombay, I have to-day forwarded to you six copies of a memorial, with 4 lists of signatures, addressed to His Excellency the Most Honourable the Marquis of Lansdowne, Viceroy and Governor General of India, the receipt of which kindly acknowledge to me.

To—His Excellency the Most Honourable the Marquis of Lansdowne,

Viceroy and Governor General of India.

The humble memorial of the Native Import Traders of the City of Bombay—

Respectfully Sheweth,—That your memorialists have gladly availed themselves of an opportunity recently afforded of signing a petition addressed by the Indian Currency Association to the House of Commons of Great Britain and Ireland upon the present condition of the currency of this country, but they desire to address Your Excellency separately upon the subject of the great loss and anxiety to which they are subjected by reason of the uncertain exchange value of the rupee.

That your memorialists, though possessed of long experience in the import trade, have of late found that, owing to the fluctuations in exchange, they, as well as the European merchants of this city, have incurred very serious risks and losses in their business.

That, in consequence of these losses, a large majority of the members of the Bombay Chamber of Commerce, once indifferent upon the question, have now come to recognise that it also affects them injuriously, and accordingly within the last few days have greatly to your memorialists' satisfaction passed a resolution calling upon Your Excellency's Government to take advice whether some remedy cannot be applied to the evils from which they, as well as your memorialists, have been and now are suffering.

That until some 8 or 10 years ago your memorialists were generally able to enter into contracts with European agency firms based upon rupee prices, but this system has now gone out of vogue, and the risk of exchange has to be borne by your memorialists; and this risk is so materially heightened by the recent heavy fall and violent fluctuations in exchange that your memorialists find it simply impossible to carry on their trade any longer with any degree of safety.

That your memorialists are thus much perplexed and uncertain in respect of continuing their business. That they have been in the habit, when placing their orders, of calculating upon a moderate profit of from $\frac{1}{2}$ to $\frac{3}{4}$ per cent., but have found that even a small movement in exchange has been sufficient to convert this expected profit into a loss.

That if they seek to avoid the risk by fixing exchange at the time of placing an order, they incur another risk of being undersold by others who have not fixed exchange and have benefited by a rise; that some among them do one thing and some another; and that thus their business has been changed from legitimate trading into speculation and gambling.

That your memorialists understand that further troubles may arise in future; that Your Excellency's Government may be forced to impose additional taxation upon this country to meet Government losses by exchange, which taxation your memorialists most humbly urge the country is utterly unable to bear, and would create a most widespread dissatisfaction amongst the masses.

That they understand that a conference between America and the nations of Europe is about to take place, which is likely to result in one of two things, both harmful to your memorialists,—that it may lead to the sudden fixing of exchange at so high a figure as to produce widespread ruin in this city, or may cause a sudden fall which would be equally disastrous.

Your memorialists, though ignorant of the laws which govern questions of international currency, possess a confident hope and expectation that Your Excellency and Your Excellency's Councillors will in their wisdom be able to devise some means of averting these dangers and of preventing the constant fluctuations in exchange which now so greatly harass them. They therefore pray that steps may be taken to fix the exchange value of the rupee at a rate which, in Your Excellency's judgment, may be best suited to the interests of your memorialists.

That your memorialists urgently, but respectfully, request that Your Excellency's Government will give earnest heed to this humble representation

of their case, and will take speedy steps towards securing the ends which they desire.

And your memorialists, as in duty bound, will ever pray.

(*Here follow 674 signatures.*)

60.] No. 4541-A., dated 4th November 1892.

Telegram from—The Government of India,
To—The Secretary of State for India.

We have received memorial from 674 native import traders, Bombay City, complaining that fluctuations exchange have reduced their business to speculation and gambling; asking steps be taken to fix exchange value of rupee. Please inform Lord Herschell's Committee. Copy by post.

61.] Dated 1st September 1892.

To—The Honourable the Commons of Great Britain and Ireland in Parliament assembled.

The petition of the Karachi Chamber of Commerce.—

HUMBLY SHEWETH,—That your petitioners suffer inconvenience and loss in consequence of the continuous fluctuations in the exchangeable value of the money of this Empire with that of gold-using countries, and that a remedy is urgently required.

2. From 1835 to 1872 the rupee, the monetary standard of value in India, exchanged with little variation. In 1872 Germany demonetized silver. France, to avoid an influx of the German silver, restricted the coinage of that metal. Since then other European nations have also demonetized silver. The result has been a fall in the value of silver measured by gold from 60 pence per ounce to between 38 and 39 pence, a decline of over 35 per cent, and the exchange value of the rupee has consequently fallen from 24 pence to 14·65 pence.

3. The maintenance of some stability in the ratio of value between gold and silver is of the greatest importance to trade, continual and violent fluctuations in that ratio tending to falsify the calculations of merchants, and to check trading operations by increasing the uncertainties attending them.

4. Various remedies have been suggested and International Monetary Conferences have been held in 1867, in 1878, and in 1881. In 1886 the question was the subject of investigation by a Royal Commission The members of this Commission reported that they were unanimously of opinion that the Government of India should be left free to adjust matters in the way that seemed best, but no action was taken on that report, and practically nothing has been done to arrest the progressive fall in the value of silver since 1872.

5. The investment of English capital in the development of the material resources of the Empire is discouraged, for both as regards the remittance of interest and the final transfer of invested profits and economies, the uncertainty in exchange imparts to the investment of capital in this country a speculative character and a risk which the capitalist is naturally unwilling to face.

6. Then, too, the credit of the State is heavily injured by the fluctuating value of the rupee securities of the Government of India held in England and the uncertainty in the amount of interest in gold which may be obtained by their holders. English capitalists are naturally as reluctant to invest their money in these securities as they are to invest it in India.

7. But it is of the harassment to which the trading community are constantly subjected by the uncertainty and the fluctuations of exchange that we bitterly complain. We submit that with a continuance of the present state of things legitimate trade in India is in great danger of being replaced by pure speculations.

8. Your petitioners, therefore, humbly pray that, in view of the considerations set forth above, your Honourable House will be pleased to endeavour to secure through the International Conference about to be held means by which the mercantile community may be accorded the benefit of a stable par of exchange, thus granting a relief from the disadvantages under which trading in India has been suffering in consequence of the heavy and sudden fluctuations of the rupee for many years past.

And your petitioners, as in duty bound, will ever pray.

62.] No. 317, dated 16th November 1892.

From—The Government of India,

To—The Secretary of State for India.

In continuation of our despatch No. 217 (Financial), dated the 16th August 1892, forwarding a memorial from the native traders of Karachi complaining of the injury done to their business and trade by the constant fluctuations in exchange, we have the honour to forward a memorial signed by six hundred and seventy-four native import traders of the City of Bombay in which a similar complaint is made. On the 4th instant we telegraphed informing Your Lordship of the receipt of the memorial, and requesting that Lord Herschell's Committee might be informed of the fact.

2. We attach importance to this memorial, as the number of signatures indicates that it represents the practically unanimous opinion of the native import traders of Bombay.

3. We take the opportunity of enclosing copy of a memorial received by us from the Karachi Chamber of Commerce, which the Chamber has taken steps to present to Parliament.

63.] No. 4706-A., dated 22nd November 1892.

From—J. E. O'Conor, Esq., Assistant Secretary to the Government of India, Finance and Commerce Department,

To—Mr. Damodur Gokuldass Munjie, care of Messrs. Sir Charles Forbes & Co., Bombay.

I am directed to acknowledge the receipt of your letter dated the 24th October 1892, and of the memorial sent therewith, complaining of the injury done to the import trade of Bombay by the constant fluctuations in exchange.

2. I am to state that the memorial and the signatures have been transmitted to the Secretary of State for India.

64.] Dated 28th October 1892.

From—H. A. Acworth, Esq., Vice-President of the Bombay Branch of the Indian Currency Association,

To—The Secretary to the Government of India, Finance and Commerce Department.

I have the honour to forward herewith copy of a resolution passed by the members of the Bombay Branch of the above Association at a meeting held here on 26th instant with a request that it may be laid before the Government of India.

Resolution passed by the Members of the Bombay Branch of the Indian Currency Association at a Meeting held on 26th October 1892.

Proposed by Mr. Acworth.

Seconded by Mr. C. H. B. Forbes.

That this meeting records its satisfaction at the appointment of Lord Herschell's Committee as an indication of interest on the part of Home Government, and is glad to learn that the Honourable Mr. Mackay is on his way to England to give evidence before it. At the same time the members of the Association in Bombay earnestly trust that the Committee will record the result of its deliberations with the least possible delay, as they feel that the emergency is one of a pressing character, and that the questions at issue having been the subjects of consideration for many years are ripe for decision.

65.] No. 313, dated 9th November 1892.

From—The Government of India,

To—The Secretary of State for India.

In continuation of our Financial despatch No. 254, dated the 21st September 1892, we have the honour to transmit, for Your Lordship's information, copy of a letter from the Vice-President of the Bombay Branch of the Indian Currency Association, and of the resolution therein referred to, on the appointment of Lord Herschell's Committee.

66.] No. 4778-A., dated 29th November 1892.

From—J. E. O'Conor, Esq., Assistant Secretary to the Government of India, Finance and Commerce Department,

To—The Vice-President of the Bombay Branch of the Indian Currency Association.

I am directed to acknowledge the receipt of your letter of the 28th October 1892, forwarding copy of a resolution passed by the Bombay Branch of the Indian Currency Association on the appointment of Lord Herschell's Committee, and to state that copy of your letter and of the resolution has been transmitted to Her Majesty's Secretary of State for India.

67.] Dated 21st November 1892.

Telegram from—The Secretary of State for India,

To—The Government of India.

The Indian Currency Committee desire to have your views regarding Sir John Lubbock's proposal for the imposition of a seignorage on silver. Refer to his speech before the London Chamber of Commerce published in the *Times* of 27th October. They also want your opinion as to the levy of a heavy duty on import of silver.

68.] No. 328, dated 7th December 1892.

From—The Government of India,

To—The Secretary of State for India.

We have the honour to acknowledge receipt of your telegram dated 21st November 1892, quoted in the margin,* regarding a proposal to charge a high seignorage on the coinage of silver at the Indian mints or to impose an import duty on all silver imported into India.

* See above No. 67.

To this telegram we caused the following telegraphic reply to be sent on the 5th :

The revenue obtained from the coinage of silver would be increased by the levy of a 10 per cent seignorage, but the quantity of silver coined would probably be reduced in consequence of the imposition of so heavy a seignorage. The rupee would be kept eventually nearly 10 per cent higher in value than if no seignorage were levied, but the measure might not produce its full effect immediately, because doubtless rupees would be returned from foreign countries. By reducing the demand for silver a 10 per cent seignorage would have some slight effect in lowering the value of the metal.

The plan is suggested as one which would have a tendency to check the fluctuations in exchange, but we cannot see that it would have any such effect. The Indian exchange might not, with a 10 per cent seignorage, fall so low as otherwise, but any rise would be proportionately higher. With a high seignorage the fluctuations would be quite as frequent and serious as without a seignorage. In effect the rupee would under this proposal become a token coin, while the principal evil under which we suffer would not be mitigated by the plan. We are consequently unable to accept it.

The proposal to levy an import duty on silver is open to a similar objection.

Practically, under such a duty, the rupee might in British Indian limits have the same value as the metal contained in it, but exchange fluctuations would be as great and frequent as ever, and there would be danger of smuggling.

It has been proposed to impose a seignorage or levy an import duty varying in such a way as to maintain the coined rupee at a fixed gold value, but a varying charge would occasion so much complaint and be open to so many objections that we do not think it practicable.

2. The above telegram dealt so fully with the question referred to us by Your Lordship that we feel it unnecessary to do more than give a brief summary of our arguments in the present despatch. It will suffice to say that a high seignorage on the coinage of silver or a high import duty on silver brought into India would improve our financial position both by adding to the public revenue and by preventing the gold value of the rupee from falling as low as it might otherwise have done. As soon as the rupee was given a materially higher value than that of the silver contained in it, rupees would doubtless be returned to India from foreign countries and from Native States, and possibly some hoarded rupees might be thrown into circulation. The full effect of such a duty might not therefore be obtained at once, but to the above extent the difficulties of the financial position would no doubt be alleviated for a time by such a measure as that proposed by Sir John Lubbock.

On the other hand, while the silver rupee would, by the imposition of a 10 per cent seignorage, be practically reduced to the position of a token coin, the evils arising from excessive fluctuations in the exchange would be neither removed nor alleviated.

3. We have caused the exchange value of the rupee to be calculated on the hypothesis of a 2 per cent seignorage, as at present, and of a 10 per cent seignorage, as proposed, at prices in London of a standard ounce of silver varying 60*d.* to 30*d.*, allowing for melting charge, mint loss, cost of remittance to India, and interest. The following table gives the results of this calculation:

Price per ounce of standard silver in pence.	Exchange value of a rupee in pence (seignorage 2%).	Exchange value of a rupee in pence (seignorage 10%).	Price per ounce of standard silver in pence.	Exchange value of a rupee in pence (seignorage 2%).	Exchange value of a rupee in pence (seignorage 10%).
60	23·04	25·09	44	16·89	18·40
59	22·65	24·67	43	16·51	18·00
58	22·27	24·25	42	16·13	17·56
57	21·89	23·83	41	15·74	17·14
56	21·50	23·42	40	15·36	16·72
55	21·12	23·00	39	14·97	16·31
54	20·73	22·58	38	14·59	15·90
53	20·35	22·16	37	14·20	15·47
52	19·97	21·74	36	13·82	15 05
51	19·58	21·32	35	13·44	14·64
50	19·20	20·90	34	13·05	14 22
49	18·81	20·49	33	12·67	13·80
48	18·43	20·07	32	12·28	13·38
47	18·05	19·65	31	11·90	13·96
46	17·66	19·23	30	11·52	12·54
45	17·28	18·81			

It will be observed that when silver falls from 50*d.* per oz. to 40*d.* per oz., the gold cost of the rupee with a 2 per cent seignorage falls from 19·20*d.* to 15·36*d.*—a difference of 3·84*d.*, or exactly 20 per cent. With a seignorage of 10 per cent, the fall is from 20·90*d.* to 16·72*d.*—a fall of 4·18*d.*, or 20 per cent, as before; in other words, with a 10 per cent seignorage instead of a seignorage of 2 per cent, the amount of fall measured in pence would be greater, but the percentage of fall would be exactly the same. The measure would therefore have no effect whatever in putting a stop to fluctuations.

4. As the adoption of a high rate of seignorage would have no effect on the chief evil from which we now suffer, would merely tend to improve in some degree the present financial position of the Government, and would afford no guarantee against depreciation in the future, we are of opinion that the objections to reducing the rupee to a token coin, and indefinitely deferring the complete solution which we believe must be arrived at some day, outweigh any advantages which the measure might produce. If it be decided that the rupee must, sooner or later, be converted into a token coin, it seems to us that it would be better to adopt a gold standard at once—a course which would equally improve the financial position, and would also afford some prospect of a final and satisfactory remedy. This course is in our opinion clearly preferable to a

half measure, involving the main disadvantage of a gold standard, but leaving our greatest difficulty untouched, and affording no guarantee against fall of value in the future.

5. With regard to the proposal referred to in the last sentence of our telegram, we may remark that the objections to a currency system which depended on its success on a rate of seignorage or import duty fluctuating in accordance with the rise and fall in the market price of silver are so obvious and so serious that we refrain from discussing the question.

69.] Dated 7th December 1892.

From—J. A. ANDERSON, Esq., Vice-President, Indian Currency Association,

To—The Secretary to the Government of India, Finance and Commerce Department.

The probable failure of the Brussels International Monetary Conference, combined with the declaration of the American delegates that its dissolution may be followed by the cessation of silver purchases by the United States Treasury, has created a state of uncertainty regarding the future of exchange which might any day develope into a serious panic.

At the present time certain important branches of Indian commerce are in a highly critical position, and can ill bear the additional danger of wild fluctuations in the sterling value of the rupee. As no immediate change can occur in the statistical position of silver, the public anxiety and alarm are largely sentimental, and would be at once allayed by an assurance from the Government that, in the event of the anticipated failure of the Brussels Conference, it will take whatever measures may be necessary and advisable for the protection of the Indian currency.

Should the Government not be prepared to give such an assurance, my Association would respectfully ask whether it will recommend the Secretary of State for India to stop all sales of Council bills below the rate now current, pending the decision of Lord Herschell's Committee.

70.] No. 4927-A., dated 9th December 1892.

From—S. JACOB, Esq., Officiating Secretary to the Government of India, Finance and Commerce Department,

To—The Vice-President, Indian Currency Association.

I am directed to acknowledge the receipt of your letter dated 7th December 1892, and in reply am to state that the Government of India, while fully alive to the serious inconvenience which is felt in various branches of Indian commerce owing to the uncertainty which now exists regarding the course of exchange, regrets that it is unable to give you an assurance that, in the event of the failure of the Brussels Conference to arrive at a satisfactory solution of the monetary question, measures will be taken for the protection of the Indian currency.

Such an assurance, while it would be too vague and general in its terms to be of any real value, might hamper the action of Government under circumstances which cannot from the nature of the case be clearly foreseen, and might thus produce unfortunate results. Nor does the Government of India consider that it would be justified in recommending the Secretary of State to stop for an indefinite time all sales of Council bills below any fixed rate. It will probably be clear to your Association on reconsideration that, whatever may be the result of the Brussels Conference, or the outcome of the enquiry by the Committee of which the Lord High Chancellor is President, the Government of India will be in a better position to deal with any circumstances that may arise hereafter if it reserves to itself complete freedom of action and refrains from giving assurances which might fetter its course of procedure in the future.

71.] No. 4939-A., dated 9th December 1892.

Telegram from—The Government of India,

To—The Secretary of State for India.

The alarm felt in consequence of the uncertainty of exchange prospects has been represented to us by the Indian Currency Association, which requests us to give an assurance that, if the International Monetary Conference should be a failure, we will adopt the measures necessary for the protection of the Indian currency, or that we will recommend to Your Lordship to cease, pending decision on the report of Lord Herschell's Committee, the sale of bills below the rate now current. We have declined to adopt either course because future action might possibly be embarrassed.

72.] Dated 9th December 1892.

Telegram from—The Honorary Secretary, Indian Currency Association, Madras,

To—The Secretary to the Government of India, Finance and Commerce Department.

Committee, Madras Branch, Indian Currency Association, respectfully urge Government, in view of the failure which seems to have attended the International Monetary Conference, to declare its intentions or stop sales of Council bills pending report in Lord Herschell's enquiry.

73.] Dated 10th December 1892.

From—The Exchange Banks Association,

To—The Secretary to the Government of India, Finance and Commerce Department.

We, the undersigned Agents and Managers of the Exchange Banks, desire to draw the attention of His Excellency the Viceroy to a serious difficulty which may arise in regard to contracts for the purchase of silver should any law be passed without due notice closing the Indian mints to free coinage of silver. For should such a law come into operation at any time before the banks had received delivery of the silver they had purchased under forward contracts, they would run the risk of having to resell at a loss in London.

In the face of such a risk, the banks will naturally avoid such contracts, but in doing so they cannot avoid contracting the finance of the seaborne trade, and may possibly thereby hamper the operations of that trade. We beg, therefore, respectfully to suggest that His Excellency should at once give us some assurance that any silver contracted for before the issue of an order to close the mints to free coinage of silver shall be admitted for coinage.

Our reason for taking the present opportunity for tendering this suggestion is that the speeches of Mr. Bertram Currie and of others representing England at the International Conference appear to indicate that, in the event of no agreement being come to thereat, the closure of the Indian mints to free coinage of silver will almost certainly result.

74.] No. 4985, dated 13th December 1892.

From—S. Jacob, Esq., Officiating Secretary to the Government of India, Finance and Commerce Department,

To—The Agent, Chartered Mercantile Bank of India, London, and China, Calcutta.

I am directed to acknowledge receipt of the letter of 10th instant, signed by you and by the Managers of some other Exchange Banks, suggesting that the Government of India should give an assurance that, in the event of the Indian mints being closed to the free coinage of silver, all silver contracted for before the issue of an order to close the mints to free coinage of silver shall be admitted for coinage.

2. In reply, I am to say that the Government of India is of opinion that it would not be in the public interest to enter on a discussion at the present moment of the measures which might be adopted if it were decided to close the Indian mints to the free coinage of silver, and the Governor General in Council fears, therefore, that it is impossible to give the assurance for which you ask.

75.] No. 5039-A., dated 16th December 1892.

From—S. JACOB, Esq., Officiating Secretary to the Government of India, Finance and Commerce Department,

To—The Honorary Secretary, Indian Currency Association, Madras.

I am directed to acknowledge the receipt of your telegram dated the 9th December 1892, and in reply to say that (as stated in the letter of the 9th instant, No. 4927, to the Vice-President of the Association, of which copy is enclosed) the Government of India regrets that it is unable to recommend the Secretary of State to stop the sale of Council bills, pending the report of the Committee of which the Lord High Chancellor is President.

76.] Dated 21st December 1892.

From—The HON'BLE J. L. MACKAY, C.I.E., President, Indian Currency Association,

To—The Secretary to the Government of India, Finance and Commerce Department.

The course of the proceedings at the International Monetary Conference, and the adjournment of the Conference, subject to the approval of the Governments represented as to the expediency of meeting again, must be taken to mean that it is hopeless to expect any international agreement either as to the adoption of the bimetallic system or as to the more limited proposals placed before the Conference for an extension of the use of silver and a restriction of the use of gold. It is indeed universally admitted that what was foreseen in the final paragraph of the petition of this Association to the House of Commons and in my letter of the 24th June last, with which the petition was placed before the Government of India, has actually been realised.

2. There now remains no method of relieving India from the effects of its depreciated currency except as pointed out in the letter to which reference has just been made, namely, the closing of the mints to the unlimited coinage of silver for the public and the adoption of gold as the standard. In the position which we have now reached it is generally admitted that action in this direction is essential, and that the change should be made without further delay.

3. In the expectation which prevails on all sides, by some that action will be taken, by others that it is unavoidable, the course of business is greatly impeded. The country is being inundated with silver to an extent only equalled in the very exceptional year 1890, the shipments from London since the failure of the International Conference was recognised having been on an enormous scale. In the last four weeks silver to the value of about a million sterling has been shipped from London for India, where there is no present demand for it. It is generally inferred that these shipments have been made in view of a further fall in the price of the metal. On the other hand, the exports of gold from India during the present year have been made on an unusual scale. It is easy to see that a large inflow of silver and a large outflow of gold, even if they are not the result of the expectation of a change in the Indian currency, will aggravate the difficulty of making the change in the standard, and that the longer the change is deferred, the more will the difficulties be enhanced.

4. The Government of India recently refused in reply to representations from this Association and from the Associated Exchange Banks of this city to give the public any indication of the policy it proposed to pursue. On behalf of the Association I take no exception to this refusal if, as may be presumed, the report of the Committee presided over by the Lord High Chancellor and the conclusions thereon of the Secretary of State for India have not yet reached the Government of India. But the Governor General in Council will, I am sure, recognise that it is desirable to terminate the tension which in the existing uncertainty prevails in business circles, and that it is also expedient not to prolong an uncertainty which gives occasion for an unnecessary inflow of silver and outflow of gold, which must interfere with the smooth working of any plan of reform which may be entered upon.

5. I have the honour, therefore, respectfully to suggest that it is expedient that the Secretary of State for India should be informed by telegraph of

the position, and that His Lordship should be requested to communicate to His Excellency the Viceroy as speedily as possible and by telegraph the decision on the question placed before Lord Herschell's Committee. In case His Lordship should see fit to comply with this request, it would be a source of great satisfaction if the decision of His Lordship were made public without delay.

77.] Dated 23rd December 1892.

Telegram from—The Government of India,

To—The Secretary of State for India.

The attention of the Government of India has been drawn by the Indian Currency Association to the abnormally large quantity of silver being shipped to India, to the export of gold from India, and to the interruption of trade and business occasioned by the existing uncertainty. We are urged by the Association to ask Your Lordship to announce by telegraph as soon as may be your decision on the proposals under consideration by the Indian Currency Committee. We are confident that the evils which must be occasioned by delay are fully recognised by Your Lordship, and that the present state of suspense will not be unnecessarily prolonged before the decision is given. Many of our European officers are seriously embarrassed, and if the present condition of affairs, which has already generated a very uneasy feeling, is indefinitely prolonged, we are afraid that it may give rise to a regrettable agitation.

78.] No. 5169-A., dated 23rd December 1892.

From—S. JACOB, Esq., Officiating Secretary to the Government of India, Finance and Commerce Department,

To—The President, Indian Currency Association.

I am directed to acknowledge the receipt of your letter of the 21st instant drawing attention to the large shipments of silver from London and net exports of gold from India during the past few months, and to the serious impediments to business which result from the present state of uncertainty as to whether any, and if so what, action may be taken by Government for "relieving India from the effects of its depreciated currency," and suggesting that the Secretary of State should be informed by telegraph of the position and requested to communicate to His Excellency the Viceroy as speedily as possible and by telegraph the decision on the question placed before Lord Herschell's Committee.

2. In reply, I am directed to say that the Government of India has informed Her Majesty's Secretary of State for India that the Currency Association has addressed it on the subject to which your letter refers, and has communicated to His Lordship by telegram the recommendations which the Association has made. The Government of India has no doubt that the Secretary of State is fully alive to the serious evils which result from the uncertainty which at present prevails in the silver market.

79.] Dated 31st December 1892.

Telegram from—The Secretary of State for India,

To—The Government of India.

Your telegram of the 23rd. I am fully aware of the importance of avoiding all unnecessary prolongation of the existing state of suspense, but I cannot decide without full consideration. The questions raised before Lord Herschell's Committee are of very great gravity.

80.] Dated 7th January 1893.

From—The President, Indian Currency Association, Bombay Branch,

To—The Secretary to the Government of India, Finance and Commerce Department.

I have the honour to forward copy of a resolution passed yesterday by the Committee of the Bombay Branch of the above Association with a request that it may be forwarded to the Secretary of State for India.

Resolution passed by the Committee of the Bombay Branch of the Indian Currency Association at a Meeting held yesterday, the 6th January 1893.

"As it seems certain that the deliberations of the International Monetary Conference will end without any practical result being arrived at, and that in consequence as the statements of the American delegates leave no room to doubt America will shortly suspend State purchases of silver, the gold price of that metal must necessarily continue to fall. The Secretary of State for India should, therefore, be urged by Government to sanction the immediate closing of the mints against the free coinage of silver, reserving that privilege for Government alone, and to refuse the sale of Council bills under a certain fixed rate.

"Unless these protective measures be speedily adopted, it is anticipated that the Government of India will soon be involved in deeper financial troubles; that the present disorganised condition of trade will be intensely aggravated, and the financial and commercial relations with gold-using countries reduced to absolute confusion.

"This branch of the Indian Currency Association is distinctly of opinion that no insurmountable difficulty can arise from the immediate closing of the mints to the public, and that to do so is the only rational remedy for the present ruinous position. The longer this action is delayed, the greater the difficulties that will arise. Already the abnormally large shipments of silver in transit to India and the large contracts reported to have been made in London for the delivery of silver some months forward at rates considerably under the existing market rate unmistakably indicate that practical authoritative opinion views the future of silver with grave alarm, and that the closing of India's mints is considered inevitable.

"India is believed to be the only country whose mints are now open to the unrestricted coinage of silver; and as the markets for the metal are notoriously in the hands of bold speculators, the disturbing fluctuations are not likely to be less frequent and violent than hitherto, and are certain to be maintained so long as India continues to keep her mints open as at present.

"By adopting the course proposed, India will be able to wait composedly till Western nations make up their minds as to what course they mean to permanently follow."

81.] No. 25, dated 18th January 1893.

From—The Government of India,

To—The Secretary of State for India.

"Bombay Branch, Currency Association, submits resolution, which we are forwarding, drawing attention to reported forward contracts delivery silver at lower rates than present, and urges immediate closing mints and sale Council bills at fixed rates, anticipating that delay will aggravate difficulties of Government and trade."

In continuation of our telegram of the 13th instant, quoted in the margin, we have the honour to forward, for Your Lordship's consideration, copy of a letter, dated the 7th January 1893, from the Bombay Branch of the Indian Currency Association, together with copy of the resolution referred to, advocating that our mints should be immediately closed against the free coinage of silver, and that Council bills should be sold at fixed rates.

2. We take this opportunity to transmit copy of the letter, dated the 21st December 1892, from Mr. Mackay, the President of the Indian Currency Association, the substance of which was communicated to Your Lordship in our telegram dated the 23rd December 1892, to which Your Lordship replied by telegram dated the 31st December 1892.

82.] No. 306-A., dated 21st January 1893.

From—J. E. O'Conor, Esq., Assistant Secretary to the Government of India, Finance and Commerce Department,

To—The President, Indian Currency Association, Bombay Branch.

I am directed to acknowledge the receipt of your letter dated the 7th January 1893, and to say that a copy of the letter and of the resolution referred to therein has been transmitted to Her Majesty's Secretary of State for India.

83.] Dated 3rd February 1893.

Telegram from—His Excellency the Viceroy,

To—The Secretary of State for India.

I received to-day a strong deputation from the Currency Association. Representatives of the following interests were present:

Merchants, traders, ship-owners, importers, exporters, manufacturers, producers, bankers, and land.

The deputation urged the stoppage of free coinage of silver and supported its proposal by evidence showing that all the above interests are now injuriously affected. The statements of the deputation seem to me to have strengthened the case in favour of closing the mints, and this will, I think, be the impression here. I expressed my own belief that not only Government and its officers, but the whole country, suffered under the existing state of things. But I dwelt on the need of caution, and of proving conclusively that the remedy contemplated involved neither political nor economical risks.

Finally, I told the deputation that they seemed to me to make out a *primâ facie* case in favour of a standard uniform with that of the countries with which India does most of its business, and that as the Association had now for seven months fearlessly advocated such a standard, it rested with the opponents of the Association to show authoritatively that the country disagreed with its conclusions.

84.] Deputation from the Indian Currency Association.

Address of the Hon'ble Mr. J. L. Mackay, C.I.E., *and others, and His Excellency's reply thereto.*

After having introduced the deputation, Mr. Mackay said:—May it please Your Excellency,—We have the honour to come before you as a deputation appointed at a meeting held in the Town Hall, Calcutta, under the auspices of the Indian Currency Association, on 27th January 1893. The meeting referred to consisted of about 700 people, comprising representatives of all branches of trade and commerce and manufactures in this city, and representative also of the landed interest in the country, and of all the branches of the public service.

At that meeting the following resolution was proposed by the President of the Indian Currency Association, seconded by Mr. R. D. Mehta, Sheriff of Calcutta, Member of the firm of Messrs. D. B. Mehta & Co., merchants and cotton spinners in this city, and carried unanimously:

"It is now generally recognised that, with the dispersion of the International Monetary Conference, the hope of united action has disappeared, and that further argument and delay merely mean waste of time.

"The United States are preparing to cease their purchases of silver, and it may be anticipated that the gold value of the rupee, which has within the last twelve months fallen from 1*s.* 5*d.* to 1*s.* 2$\frac{3}{4}$*d.*, will soon further rapidly decline.

"It is known that for years past it has not been possible for the Government of India to meet the increasing cost of its sterling obligations except by the imposition of new and objectionable taxes, and that the heavy fall of the rupee in 1892 has brought the finances of the country into a critical position, making further oppressive taxation apparently inevitable.

"Moreover, the impecunious position of the Government is retarding the development of the country, and the uncertainty regarding the Indian standard of value deters capitalists in England from investing their funds in Indian enterprises.

"The present tension and uncertainty and the prospect of the immediate future have a most injurious effect on all merchants and traders by paralysing the legitimate commerce of the country in all its branches, and trade as a consequence is almost at a standstill.

"It is therefore resolved that this meeting is of opinion:

"'1. That no justification exists for the continuance of the policy of inactivity in regard to the Indian currency system, which has unfortunately for so many years guided the Government of India.

"'2. That the International Monetary Conference having failed in its objects, the Government of India should at once close the mints to the free coinage of silver as the first step towards establishing the gold standard and putting the currency on a stable basis, and this meeting therefore strongly urges upon the Government of India the necessity for adopting this course without further delay."'

That resolution having been passed, it was felt that its importance was too great to admit of its being sent to the Government of India in the ordinary way, and the following further resolution proposed by Mr. N. H. T. Becker, of Messrs. Ernsthausen & Co., and seconded by Mr. W. O. Bell-Irving, of Messrs. Jardine, Skinner & Co., was carried unanimously:

"That the following gentlemen be appointed a deputation to present the resolution just passed to His Excellency the Viceroy:

"His Highness the Maharaja of Bettiah, K.C.I.E.
"Maharaja Sir Narendra Krishna Bahadur, K.C.I.E.
"Hon'ble Syed Amir Hussein, C.I.E.
"Babu Ramanath Ghose.
"Nawab Abdul Lutif, Khan Bahadur, C.I.E.
"Nawab Mir Muhammad Ali.
"Prince Muhammad Bakhtyar Shah.
"Mr. R. D. Mehta, of Messrs. D. B. Mehta & Co.
"Babu Nolin Behari Sircar, of Messrs. Kerr, Tarruck & Co.
"Mr. W. T. Spink, of Messrs. Thacker, Spink & Co.
"Mr. Reginald Murray, Chartered Mercantile Bank.
"Hon'ble A. H. Wallis, of Messrs. Manton & Co.
"Mr. L. Pugh, Barrister-at-Law.
"Mr. G. Irving, of Messrs. T. E. Thomson & Co.,
"Mr. W. J. M. McCaw, of Messrs. Kettlewell, Bullen & Co.
"Mr. S. Keith Douglas, of Messrs. Carlisles, Nephews & Co.
"Mr. D. W. P. King, Delhi and London Bank.
"Mr. E. Henry, of Messrs. Blackwood, Blackwood & Co.
"Mr. N. H. T. Becker, of Messrs. Ernsthausen & Co.
"Mr. W. O. Bell-Irving, of Messrs. Jardine, Skinner & Co.
"Mr. J. A. Anderson, of Messrs. Anderson, Wright & Co.
"Mr. J. F. McNair, of Messrs. Begg, Dunlop & Co.
"Mr. A. G. Apcar, of Messrs. Apcar & Co.
"Mr. J. L. Mackay, of Messrs. Mackinnon, Mackenzie & Co."

In the first place, we have to thank Your Excellency for having graciously consented to receive this deputation and to hear what we have to urge in support of the reform of the currency system of India which we advocate.

This deputation represents merchants, traders, ship-owners, bankers, land-owners, producers, manufacturers, importers, and exporters. The merchants represent those who are engaged not only in trade with gold-using countries, but also in trade with silver-using countries and in local trade.

The proposal to change the standard of value in India is not a new one. Precisely what we propose was strongly urged upon the Government of India as far back as 1878, when it was found that the link between gold and silver had apparently been irrevocably severed. The Government of India at that time threw out the proposal because it clung to the hope that international bimetallism would be adopted, and that thereby India would be extricated from her difficulties.

The Government of India have therefore had ample time to consider this question, not only with reference to India, but also with reference to other countries. What we propose is no leap in the dark, because it has been adopted by numerous other countries whose object was to save themselves from the embarrassments and dangers which have overtaken India. I would here mention that France, Spain, Italy, Switzerland, Belgium, Greece, and Holland closed their mints to the free coinage of silver in 1873. The United States had done so previously, and the gold standard was adopted by them all, and

by Germany, Sweden, Norway, and Denmark, while Austria-Hungary has lately passed a law following this example. In 1878 the gold standard was also adopted by Java.

The Government of India have had the experience of all these countries to contrast with their own bitter experience of the past fifteen years, and must be in a position to form their conclusions as to whether it would not have been to the advantage of India in the past, and whether it is not likely to be to the advantage of India in the future, to change its standard of value from silver to gold.

We approach Your Excellency at this time, in the first place, because the Brussels Conference has hopelessly failed, not only to bring about bimetallism, but even to secure international agreement on subsidiary measures for the increased use of silver as money; in the second place, because Lord Herschell's Committee has now had ample time to consider the question in all its bearings; in the third place, because the fall in silver, which has already taken place, has brought the finances of the Government into a perilous position, and has restricted and embarrassed the trade of the country to such an extent as to create an almost unparalleled state of commercial depression; and, lastly, because it is clear from the course of events in America that the decline in the value of silver which has taken place in the past twelve months will be followed by a still further fall which cannot but aggravate the dangers already facing us.

In March 1892 the Budget estimated for a small surplus for the current year. The fall in exchange must have swept away this amount and added at least 150 lakhs to the expenditure of the Government of India.

This additional expenditure must be met either by increased taxation or by the restriction of railway construction and other public works, thus hampering and checking the country's progress, or by both; and the mercantile community will regard the adoption of either of these courses at such a juncture with the greatest dissatisfaction.

In the meantime we observe that the European servants of the Government of India are not unnaturally pressing for an adjustment of their emoluments owing to the depreciation in silver which, if granted even in a limited degree, must considerably increase the already heavy burden now imposed on the general tax-paying community.

My Lord, we freely confess to a strong feeling of sympathy with the servants of Government who find their incomes daily dwindling, and who in consequence are in some cases put to severe straits, such as are calculated to do serious injury to the efficiency of the administration. We realise, in fact, that it will be absolutely impossible for Government to carry on the administration on the present terms. We are strongly convinced, however, that the adjustment of salaries and all other adjustments can only be properly effected by the reform of a currency system which has gradually, but with increasing rapidity, brought the country to the present pass.

The demand for a reform of our currency system is now made by the producing, commercial, trading, and non-official classes in India with as unanimous a voice as it is possible to get on such a subject. When the remedy was first proposed a certain number of people expressed indifference, while others expressed disapproval. It may be safely said that some of those who were formerly indifferent are now with us, while a number of those who were previously in opposition would now be glad to see something done. No better evidence of this need be looked for than is to be found in the words which the Chairman of the Bombay Chamber of Commerce is reported to have addressed to the members at the annual meeting held this week. The Chairman said: "I have taken an unpopular line, and belong to the minority who do not approve of action—not because I would not like to see the value and stability of the rupee improved, but because I think no remedy has yet been suggested which, if tried, would not probably land us and the country generally in much greater trouble than we are in now. Our opponents taunt us with being content to pursue the policy of drift and other evil courses, but we cannot help this, and I am sure, if any of their suggestions are tried and prove successful in accomplishing the end desired, we shall be quite ready to own ourselves wrong and to congratulate them."

My Lord, we feel that, without any agitation for the reform of the currency system of India, the change which we advocate must, by the sheer force of circumstances, sooner or later, be introduced. We feel assured that, without any outside pressure, the mints of India must eventually be closed to the free coinage of silver. All that we hope to do is to expedite the measure, relieve ourselves from the present highly unsatisfactory state of affairs as speedily as possible, and induce the Government to adopt the change without waiting for the financial crash which will eventually force the reform.

Mr. W. O. Bell-Irving, of Messrs. Jardine, Skinner & Co., said:—May it please Your Excellency,—The currency question has been so fully discussed of late in all its bearings that I feel it would be a mere waste of time on my part to do more than touch very briefly on a few points on which, as one directly interested, I can speak with a certain amount of authority.

It has been contended that the closing of the Indian mints to the free coinage of silver will seriously curtail trade between India and China; that such is not the opinion of Mr. Apcar and myself, who represent the only existing direct lines of steamers between Calcutta and China, and are otherwise interested in the trade between the two countries, will be apparent from the fact that we are both members of the deputation now before you.

A petition was recently presented to Your Excellency by various parties interested in tea in the Darjeeling district in favour of a continuation of masterly inactivity as regards the currency question. In reply it was very properly pointed out that, in an important matter of this kind, Government had to consider the general weal of the country, and not merely individual interests. Whatever policy in connection with the currency may be adopted in India must, I take it, of necessity come into force in Ceylon, so that the issue, as far as tea is concerned, is virtually India and Ceylon *versus* China. No doubt exists in my mind with which side victory will eventually rest. In this connection figures, dry though they generally are, and misleading as they sometimes prove, are instructive. In 1881 the export of tea to the United Kingdom was—

	£
China	142,706,457
India	47,413,576
Ceylon	697,268

while in 1891 it stood thus:

China	69,394,523
India	111,168,895
Ceylon	63,744,987

The tea-drinking public at home have got accustomed to the strong pungent liquor of the Indian teas, and it is very improbable that the comparatively weak, flavourless China teas will again come into favour.

These later teas are, moreover, handicapped by having to pay leaking and other recognised duty in China to the extent of about $4\frac{1}{4}$ taels per picul, equivalent to, say, $1\frac{1}{2}d.$ per lb. It is notorious besides that various squeezes—if I may be allowed to use the term—exist, as to the extent of which the petty officials in China are in a better position to express an opinion than I am.

There is yet another side of the question, and a very important one too, that the said petitioners appear to have overlooked. Investments in tea in this country have, almost without exception, sooner or later to be realised and remitted to Europe. Will the holder of a share in a tea garden, or an investor in tea scrip, appreciate a policy of drift if it result in his having to remit the proceeds of his investment at an exchange of, say, 10*d.*? I trow not! It may be argued that the rupee is never likely to decline to 10*d.*, but not so many years ago most people would as confidently have affirmed that there was no chance of the rupee touching 1*s.* $2\frac{1}{2}d.$

If any class have benefited from the depreciation of a rupee, it ought to be the ryots, and through them the zemindars, and I am not prepared to contend that in certain respects they have not; but, as representing over 3,300 square miles of land in Lower Bengal, held by my firm directly or as agents, mainly in putnee or perpetual lease, I feel very strongly that, at the time the perpetual

settlement was made, it was never contemplated by Government that the land revenue should be paid in such an unstable coin as the rupee has proved to be, and that, if action be not taken to arrest the downward tendency, increased taxation is inevitable. My Lord, what is wanted to develop India is capital; to open out railways, start industries throughout the breadth and length of the country, and bring the large tracts of virgin waste land which still exist into cultivation. So long as the value of the rupee is an unknown quantity, the flow of capital into India will be checked. Let the value of the rupee be fixed, and money, which is a drug in the London market at 3½ per cent, will be available in India in abundance; and if this country with cheap labour, and in many cases raw material on the spot, and markets at the door, cannot with exchange, say, at 1*s.* 6*d.* hold its own, then the outlook from a commercial point of view is indeed gloomy.

Mr. J. A. Anderson, of Messrs. Anderson, Wright & Co., said :—Your Excellency,—Two years ago there was a vague, general idea amongst our merchants that India was greatly benefited by the depreciation of the rupee, and that the lower it went, the more prosperous it would be. There was one little difficulty that at times made people doubt whether they were quite right, and that was when they followed the argument to the end, and found that, if the rupee became of no value at all, then we should have reached the height of prosperity. As we have grown wiser, the absurdity of the whole theory has become too apparent, and I doubt if it now finds a single honest supporter. Those few who oppose the reform of our currency, do so under the plea of believing in universal bimetallism, and thinking that India would benefit more by this than by any independent action. They avoid all details of their objections, and have no suggestions as to the means by which the deficit in the financial position of Government is to be met. They only say they prefer to see the ills we are suffering from continue rather than that their own pet scheme should fail.

An admirable letter in the *Englishman* of 30th ultimo, under the well-known initials "A.M.L.," most effectually disposes of the obsolete argument that Indian exports benefited greatly by a depreciating currency. The writer says : "The average exports of the years 1866 to 1870 are compared with the averages of 1886 to 1889, all values being expressed in sterling. The result is as follows :

Indian trade shows an increase in the 20 years of only	...	24 per cent.
Mauritius, a decrease of	...	6 „
Ceylon, another rupee-using colony, a decrease of	...	21 „

Whereas the gold standard countries in a position to be compared with India show all substantial increases, *e.g.* :—

Canada	...	90 per cent.
The United States	...	161 „
Australia	...	174 „
Cape of Good Hope	...	227 „

It may be said that the East is more lethargic than the West or South, so I have looked up the trade statistics of Netherlands India in the *Statesman's* Year Book. I have taken the aggregate foreign trade of British India and Netherlands India for the years 1868 to 1871 and 1886 to 1889, and converting guilders into sterling for both periods at the fixed rate of 12 per £1 and rupees into sterling at the rate of 1*s.* 11*d.* for the first period and 1*s.* 4½*d.* (the average rate) for the second period, I find that whereas British India shows an increase of 21 per cent only, Netherlands India shows an increase of 174 per cent."

Another favourite fallacy is that silver values have not altered in India. The largest crop in India is the Bengal rice crop. It is estimated by Dr. Watt at 15 millions of tons; and as only some 300,000 to 500,000 tons are exported, it is evident that it constitutes the chief food of the people of this province. If we take as a basis of price the description called ballam, we find that whereas, before the rupee began to fall, the value ran from Rs. 1-10 to Rs. 2 per maund in an ordinary season in the past two years with fairly good crops, the price has been Rs. 3-8 to Rs. 4-4 per maund; while kasarie and similar cheap grains used by the very poorest people have gone up from 8 annas to 12 annas per

maund to Rs. 1-8 and even Rs. 2 per maund. That incredible hardship is thus caused to the wage-earning classes cannot be doubted, and, if a further fall in the value of the rupee takes place, the price of food must be forced up still further. It is doubtful if any other people on the face of the earth would have remained quiet under such an enormous rise in the price of food, coupled with a steadily increasing taxation; but Government must know that there is a limit beyond which this *laisez faire* policy must be disastrous, and it will do well to make an end of the situation before trouble does come.

The Indian Currency Association advocates a plan for putting the finances of the country on a safe basis and allowing the adjustment of wages and food prices. These matters are essential to the well-being of the country, and to disregard them any longer will be to lose our reputation for honestly governing this mighty Empire.

The Honourable Mr. Wallis, of Messrs. Manton & Co., said:—Your Excellency,—The statement just made by the Honourable Mr. Mackay leaves me but little further to say on the general question of the urgent need felt by all classes and sections of the community in India for the prompt reform of our currency system. Your Excellency will not doubt, I am sure, after all that has just been stated by Mr. Mackay, that the fall in exchange affects most detrimentally every interest in the country, and not the least so, I would urge, the interest of the retail traders whom I am allowed on this occasion to represent. It is generally believed that the retail trader is able to protect himself by an increase of prices, and in point of fact an increase of rates and prices has been unavoidable, but it would be unfair to say that this could be done to any material extent, or to the extent of rendering trade either safe or prosperous: any such result, I may safely state, has been impossible in the face of the constant prevailing fluctuations in exchange; and its almost uninterrupted downward tendency during the last twelve months or more has brought it to a point at which anything like safe trading in imported goods becomes an utter impossibility. It should be remembered that traders as a rule have to work upon stated tariffs which cannot be altered to meet every fluctuation in the rate of exchange, and anything like a sudden or seemingly arbitrary increase of prices would necessarily defeat its own end by the further inevitable restriction of business which would be sure to follow the adoption of such a course. As it is, business is considerably reduced in volume in all branches of retail trade, which is easily comprehensible when it is considered that the fall in exchange must necessarily have the effect of considerably reducing the spending power of those who are the main supporters of the trade in imported goods. Thus, Your Excellency, the retail trader in the present day feels himself placed in a position of considerable embarrassment and difficulty; and as this section of trade does not embrace any reciprocity of business with the mother country in exports, it follows that there is in the present day an entire absence of successful retail trading in the country, nor, in the face of the prevailing apprehension of a further fall in the value of silver, can this be regarded as the worst stage of affairs, unless such fall be promptly arrested.

Under these circumstances, I would join most earnestly on behalf of the retail traders, whom I represent, in pressing on Your Excellency's attention the suggestions for a currency reform submitted to Your Excellency in the resolutions passed at the meeting held at the Town Hall on the 27th ultimo, and which have just been read out by the Honourable Mr. Mackay. In fact the closing of the mints to the free coinage of silver and the adoption of the gold standard appear to us to afford the only chance now left for securing the trade of the country from passing into a state of utter disorganisation and ruin.

Mr. A. G. Apcar, of Messrs. Apcar & Co., said:—I have but little to add to what has been so well and clearly said by Mr. Mackay and the other members of this deputation, and I should not now trouble Your Excellency with any remarks if I did not think that a useful purpose might be served by a short statement of my own experience. I am a member of a firm who are producers and manufacturers, producing coal and manufacturing jute. We are the owners of zemindaries in the mofussil, engineering workshops in Calcutta, and are also the owners of steam-vessels engaged in the general trade of the country,

particularly in the carriage of opium, and plying in the trade between Calcutta, the Straits, and China. I may, therefore, say that I represent all the important trades and industries which the opponents of a stable currency in India declare would be ruined if the exchange value of the rupee were to cease from fluctuating and falling. But we, who are deeply interested in local enterprise and industry, and in trade with other silver-using countries, beg to assure Your Excellency that our opponents who prophesy ruin are not concerned personally as I am, and when they speak thus, I deny their right to speak and regard their prophecies as vain words. I am not merely a "Foreign sojourner" in this land, anticipating the day of retirement and desirous of carrying my money away after conversion into gold. My firm was established here in the early days of the century, and I myself have been a member of it and living and trading in this city for more than 40 years. All my interests are bound up with the prosperity of this city and this Empire, and will so continue to be. Such being the position which enables me to claim to speak with some authority on this important question, I desire to assure Your Excellency that I shall welcome with the most lively satisfaction a decision that shall prevent for the future such fluctuations in the exchange value of the rupee as have marked our commercial history for twenty years, and shall arrest its further fall. It is impossible to overrate the difficulties and embarrassments which are caused to trade and industry by an ever-varying and declining standard of value. Trade if harassed and impeded to such a degree that it is almost reduced to the primitive condition of barter, unhealthy speculation is rife, and legitimate transactions are entered upon with hesitation and anxiety. Industry is checked in the advance it should make for want of capital, which is carefully kept out of it, and, instead of marching confidently forward with operations which are beneficial alike to India and to the countries with which we carry on trade, we either feel our way slowly and cautiously as men who walk in the dark, not knowing where the next step may land them, or we plunge recklessly forward as does a gambler, losing as often as we win, or oftener, and the fever of excitement is followed by a reaction resembling paralysis. Such has frequently been our experience since 1873, and such at this moment is our experience in connection with the trade in India. I trust that Your Excellency's Government will no longer delay to introduce a reform in our currency system which will enable us to see what we are about when we are proposing to enter upon mercantile transactions or industrial enterprises, to calculate with some certainty what will be the future prospects of the transaction or the enterprise, and will remove all risks other than those which are incidental to trade and industry—risk which we are quite content and prepared to face. It is the unforeseen risks of fluctuations and depreciation of our monetary standard which we are not prepared to face, and which paralyses our energies and resources.

The Honourable Fuzilbhoy Visram, of Messrs. Visram, Ebrahim & Co., of Calcutta and Bombay, said:—Your Excellency,—Although this subject of our currency has been thoroughly threshed out, and there remains nothing new to be said about it, I would, with Your Lordship's permission, merely observe that, as one largely interested in the internal and local trade of India, I can say from personal experience how disastrous has been the result of the fluctuating state of our exchange with Europe. I have no doubt that this is also the experience of other merchants whose name is legion. I am not one of those who advocate the gold standard simply for the sake of bringing about a higher value of the rupee, but what I am keen about is its stability. It must be admitted that it is on this that the prosperity of our commerce, and for the matter of that of our country, and of the Government itself, mainly depends, and I consider it is the duty of everyone to co-operate towards this desirable end, and I have, therefore, ventured to offer these few words to Your Excellency on the aspect of the question as is appears to me.

Mr. R. D. Mehta, of Messrs. D. B. Mehta & Co., said:—May it please Your Excellency,—As a native of the country, and as one deeply interested in the development of commerce and the manufacturing industry of the country, I do not feel the least hesitation in supporting the objects of this deputation, and the movement which it seeks to promote. With Your Excellency's permission, I desire to call attention to a misapprehension which, I am afraid, prevails to some extent in England.

It is believed that the appreciation of the rupee will mean the depreciation of uncoined silver and the reduction in value of property which is hoarded in the shape of silver ornaments. Now, as a matter of fact, there is very little hoarding in the shape of ornaments. Ornaments constitute a finery, and it is well understood that gold and silversmiths themselves retain a large share of the metal which is placed at their disposal for such purposes. The truth is that whatever hoarding takes place takes place in the shape of coined money. It stands to reason that anyone desiring to hoard silver would not turn it into ornaments, because, in the first place, he has to pay to the silversmith at least a fourth to a half of the value of the silver for workmanship, which expenditure and more he would immediately sacrifice if he desired to turn the ornaments again into coin. If the rupee is given a fixed gold value, then obviously the money hoardings of the people will be improved and remain a constant quantity; and will anybody deny that this is a distinct advantage to the fortunate possessors of money investments? I may add that being a cotton spinner, and largely interested in various other industries, I will not hesitate to affirm—and this in the august presence of Your Excellency—that I anticipate no harm, no injury of any kind to the manufacturing industry of India by the adoption of the course which this deputation desires respectfully, but firmly, to press upon the attention of the Government of this country. It is a matter of general notoriety and of painful experience that matters have gone from bad to worse, because the Government have chosen to adopt what I may be permitted to style a policy of masterly inactivity in this connection. It is our respectful request and humble prayer that some action may be taken, and without further delay, upon the lines which we have ventured to recommend.

Mr. Reginald Murray, Agent, Chartered Mercantile Bank of India, London, and China, said:—Your Excellency,—I have been invited to make a few remarks from a banker's point of view. The meaning and object of a standard of value are necessarily that such value shall be fixed. Otherwise it cannot be a true measure for the purposes of trade or for the general revenue and expenditure of the Government.

For the purposes of the trade in India it is abundantly evident that the silver standard has no such fixity of value. It is impossible to dissociate internal from external trade. The imports and exports are just as much a part of the trade of a country as articles bartered internally, and it is quite as important for the security of good credit and sound trade that the standard of value for exports and imports should not fluctuate, as that internal trade should rest on a fixed basis. Banks are the guardians of credit. On their stability depends whether credit is good or bad. But on what principle can banks negotiate the finance of India's foreign trade when exchange exerts such a dominating influence on all transactions to the extent that calculations of premiums and discount rest on a quicksand of speculation?

Such conditions defy principle.

We believe, too, that the depreciation of silver cannot fail to affect the value of savings in India; for as the trade and finance of India are inevitably connected and mixed up with those of gold standard countries, so must the value of savings bear comparison.

Therefore it appears to us clear that savings in India, which are to a large extent represented by bank deposits, are adversely affected by the incidence of a silver standard.

Mr. D. W. P. King, of the Delhi and London Bank, said:—Your Excellency,—Speaking as a banker whose interests are intimately bound up in the financial prosperity of India, it is to my mind impossible to conceive on what ground the country is justified in accepting, year by year and day by day, payment of its surplus profits in a metal which as soon as it has been received becomes of less value: if business were carried on generally on this principle, it is not difficult to see that it would ultimately result in serious failure.

As regards the effect on the capital brought into this country in the past, it is patent that, while it may have been invested in profitable industries of which we have many, a considerable portion of the capital has been absolutely

lost judged by its original sterling value: this does not apply to banks alone, but to every merchant, trader, and capitalist who has sunk his money in India.

The present position is even worse, because with all the openings there are for the investment of British money in railways, coal mines, and other undertakings in India, the uncertainty as to the future value of the rupee is so impressed upon the British public by the English press that scarcely any fresh capital is brought into the country.

With the necessity there is for opening out the country this is a most serious matter. It is a fact that all new enterprises, in the first instance, in India, are undertaken with British or European capital, and nobody will admit that we have reached a stage when no further capital is required; and surely a state of affairs which absolutely hinders any extension of enterprise needs immediate attention.

It is possible that a gold standard for India might have a disturbing effect upon the European money market, and the prices of commodities there; but is it just or reasonable to continue a state of affairs here which absolutely debars the country from making the progress it should make?

The year 1892 has been, taking it all round, a disastrous one for Indian trade and traders; and if no effort is made to remedy the present state of affairs, it is absolutely certain that we shall have to face a crisis that has not been equalled.

I therefore submit, for the urgent consideration of Your Excellency, the absolute necessity, in the interest of the country, the trade, the officials, and all concerned, of putting a stop to this competition between Council drafts and silver by closing the mints to the free coinage of silver, and meeting the trade demand by the sale of the Secretary of State's Council drafts on India at a fixed minimum rate.

The Viceroy's Reply.

His Excellency the Viceroy, in reply to the deputation, said:—I am much obliged to this deputation for the clearness with which it has laid its views before me. It is extremely important that the Government of India should be made aware of the manner in which these questions are regarded by all classes of the community. The gentlemen present here this morning present a great variety of interests. You have told me that merchants, traders, ship-owners, importers as well as exporters, manufacturers and producers, the banking interest, and last, but not least, the landed interest, are all represented here, and that among the mercantile members of the deputation are representatives of our trade with silver as well as with gold-using countries, and of our local as well as our foreign trade. Such an expression of opinion, proceeding, as it does, from independent and unofficial sources, cannot fail to carry weight both with the Government of India and with the country, which we earnestly desire to carry with us, whatever course we may determine to adopt in view of the serious state of things with which we are confronted.

Now, gentlemen, it is an open secret that the Government of India regard that state of things with the greatest concern. It is, I think, also an open secret that we have ideas of our own as to the steps which might be taken in order to deal with the difficulties which are daily pressing themselves upon us. It is, however, of no use to conceal from ourselves that the remedial measures which have been under discussion are regarded in some quarters with genuine alarm and with a good deal of suspicion. The latter feeling is perhaps not difficult to account for, and it is, I believe, to be explained by the fact that many persons have assumed that the advocates of such measures are actuated by selfish rather than patriotic motives. We are constantly told, for example, that the Government of India have been too much influenced by the distress of the officials in their employment, and that our main object is, on the one hand, to mitigate the hardship of the services which have, as we are well aware, suffered cruelly by the recent fall in exchange, and, on the other, to extricate ourselves from the constant embarrassment to which our finances are exposed by the fluctuation in the gold value of the rupee.

Now, gentlemen, as to the employés of the Government of India, they are entitled to the most abundant measure of our sympathy, and I am glad to

notice that yours is extended to them ; but I think that those critics must have a very mean opinion of our intelligence who think that, merely in order to elude our obligations to the services, we should be ready to deal light-heartedly with so serious a question as that of the currency of the Indian Empire, or to tamper, in opposition to our better judgment, with the monetary basis upon which our financial and commercial system is founded.

Again, although the inconveniences which the Government of India encounters from the fluctuations in exchange are no doubt extremely irksome and exasperating ; although it is very annoying to us never to know whether a surplus may not be converted into a deficit, or a deficit into a surplus, by speculative movements which we are wholly unable to control ; although it is unpleasant to us to be roundly abused because our forecasts are so frequently discredited, we should surely not be so imprudent, merely because we are suffering from inconveniences of this sort, as to contemplate the possibility of altering the standard of value.

Gentlemen, we are well aware that, before any project so serious and so far-reaching can be entertained, it is necessary to prove a great deal more than that the Government of India is exposed to annoyance or its employés to hardship of a special kind. It is to much stronger reasons than these that we must appeal if we are to address ourselves to the question of currency reform, and it is for this reason that I regard it as highly satisfactory that gentlemen in your position, representing, as I have said, the unofficial and independent opinion of all classes of the community, should come forward in order to make us aware of the manner in which their interests are affected by the wide divergence in value which has arisen between gold and silver.

I therefore take note with the utmost attention of your emphatic statement that the present condition of things is disadvantageous to the commerce of India generally, to importers as well as to exporters, to local as well as to foreign traders, to the wage-earning classes as well as to the producer of commodities.

I also take note of your statement that you regard with the gravest apprehension the possibility that we may be driven by the recent fall in exchange to impose additional taxation on the people of this country—a contingency which we certainly cannot exclude from consideration, but which, having regard to the restricted sources from which taxation can be drawn, I for one should regard with the utmost concern. The fact that we may not improbably find ourselves face to face with the necessity of resorting to additional taxation in order to extricate ourselves from our difficulties seems to me by itself to be a sufficient answer to the assertion that our troubles are of a kind which affect, not the people of India as a whole, but the foreign sojourners, represented, it is said, chiefly by the British officers of the Government of India.

I note again the declaration of your belief that, owing to the fall in the gold value of the rupee and the uncertainty with regard to the future of exchange, capitalists are deterred from investing their money in this country, the development of which is in this manner most seriously retarded. You have reminded me, on the other hand, that, owing to the embarrassment of our finances, the Government of India is itself obliged to curtail its expenditure on useful public works, so that the stream of public as well as of private enterprise is being dried up. This, gentlemen, is surely a consideration to which no class of the community, whether official or unofficial, can afford to be indifferent.

But, gentlemen, it is not enough to show that the disease exists. You have also to convince us, and to convince the public, that the remedy which you have recommended is the proper remedy, and to show that its effects may not be worse than those of the disease itself. Your Association has addressed itself earnestly and with considerable skill to this task. We feel that, in dealing with this part of the case, we cannot approach the subject with too great caution. We must be persuaded not only that the remedy proposed is defensible upon strict economical grounds, but that, considered as a political measure, it is safe and expedient, and will not do violence to public sentiment or give rise to grave and disquieting apprehensions in the mind of a people prone to regard public questions from a sentimental standpoint. In order to disarm hostility of this kind, nothing is so useful as public discussion, and a debt of gratitude is, in

my opinion, due to the Currency Association for the manner in which it has during the past few months ventilated this intricate question and helped to render it intelligible to the public mind.

I can promise you, in the name of the Government of India, that both your statement of the facts and the proposal which you have laid before me shall receive our earnest attention. They will be duly laid before the Secretary of State, and I trust that we may before long be able to make you aware of the decision which has been arrived at. For the moment I cannot say more. You have reminded me that the Brussels Conference has separated without coming to any conclusion, but the other, and to my mind more important, enquiry which is being conducted by Lord Herschell's Committee is, so far as we are aware, not yet concluded. We have not yet heard that the Committee has reported, nor can we anticipate the effect which the report may produce upon the judgment of the Secretary of State. Until we have received further information upon these points, the question must remain in suspense.

There are, however, two admissions which I am ready to make to you. My first admission is this, that you have, I think, strengthened your case by, for the present, restricting your proposals to that for the closing of the mints to the free coinage of silver, leaving for further consideration those ulterior proposals for changing the standard of value from silver to gold, which were embodied in your project when it first took shape six months ago. In the next place, you are, I think, justified in holding that the proposal for introducing a standard of value which shall be common to India and to the gold-using countries is *primâ facie* a reasonable proposal. The burden of proof certainly seems to me to lie with those who desire to convince us that it is for the good of any given country that it should use for commercial purposes a currency of which the standard differs, and differs in a constantly fluctuating degree, from the standard of value obtaining in those countries with which the greater part of its commercial business is transacted. You have pointed out in your address that other nations have deserted the silver for the gold standard, and have found advantage in doing so. It is, I think, for your opponents in this country to show that there are special reasons why a similar change should produce different results in the case of India. The Association which you represent has now for some seven months openly and fearlessly advocated the policy which you first formulated at the Simla meeting in May of last year. That policy, so to speak, holds the field, and I think you may fairly say that your opponents will have no one to blame but themselves if owing to their failure to prove that the general opinion of this country disagrees with you, and to refute the facts and figures which the Currency Association has placed before the public, your conclusions are accepted as an authoritative statement of the interests which this deputation claims to represent.

85.] Dated 10th February 1893.

From—JAMES CURRIE, Esq., Chairman, Karachi Chamber of Commerce,

To—The Secretary to the Government of India, Home Department.

I have the honour to forward herewith, for the information of His Excellency the Viceroy in Council, a resolution passed by this Chamber on the subject of the accompanying circular letter I had addressed to the members of the Chamber, dated 26th ultimo, referring to the closing of the Indian mints to the public for the coinage of silver.

86.]

At a Special General Meeting of the Karachi Chamber of Commerce held at the Chamber Buildings on the 10th February 1893, at 2-30 P.M., the following resolution was passed :

RESOLUTION.—That the views expressed in the circular letter of the Chairman, dated 26th January 1893, are adopted by the Chamber, and that a copy of that letter be forwarded to Government with the intimation that the Chamber concurs with the opinion expressed therein.

87.] Dated 26th January 1893.

From—JAMES CURRIE, Esq., Chairman, Karachi Chamber of Commerce,

To—The Members of the Karachi Chamber of Commerce.

In view of the present agitation for the closing of the Indian mints to the public for the coinage of silver, it is desirable that the Chamber should consider the probable consequences of that measure.

Assuming that the Government take that course, the first result would be an advance in the value of the coined metal now in circulation, and that advance would continue in proportion to the contraction of the currency; such contraction would follow unless the Government took up the task of coining silver on their own account and kept the mints at work.

It would be obviously to the advantage of the Government to do this, and the manner of doing it could be easily and profitably effected by the Secretary of State taking into his own hands the purchase of silver in London for shipment to India for minting purposes. Much would, however, depend on the method adopted by him in regulating these purchases.

The following suggests itself as one such method which would have the advantage of being simple, and would regulate the supply according to the requirements of the country.

Over and above the sales of Council bills necessary to defray the current charges, the Secretary of State should be always prepared to give at his fixed rate to the public additional Council bills, with the proceeds of which he should buy bar silver in London for the Indian mints.

Following this method, strengthened as his hands would be, he would be able to control the rate of exchange so long as the balance of trade was in favour of India; at the same time the risk would be avoided of India suffering for any length of time from any abnormal dearness or scarcity of money.

There is no reason to doubt if the mints were closed to-morrow to the public and the Secretary of State fixed the rate of his Council bills, say, at 1*s.* 4*d.* per rupee, as he could do, holding the command of over 20 millions worth of bills on India, including the probable requirements for the mints, that this level could be maintained without fluctuations until the price of bar silver rose to near the same level.

Failing universal bimetallism, it appears to us that the closing of the mints, together with the action of the Secretary of State, similar to that described for the purchase and coinage of silver, would be a wise and politic move—

First, because it does not depreciate silver;

Secondly, it may reasonably be expected to attain the object merchants have at heart, *viz.*, the maintenance of the exchange value of the rupee unsubjected to undue and violent fluctuations; and

Thirdly, it would ensure the currency being supplemented automatically according to the requirements of trade.

83.] No. 91, dated 8th March 1893.

From—The Government of India,

To—The Secretary of State for India.

In continuation of our despatches noted in the margin, we have the honour to forward, for Your Lordship's consideration, copy of a letter, dated the 10th February 1893, from the Chairman of the Karachi Chamber of Commerce, and enclosures, referring to the closing of the Indian mints to the public for the coinage of silver.

No. 317, dated the 16th November 1892, and No. 25, dated the 18th January 1893.

89.] No. 906-A., dated 2nd March 1893.

From—J. E. O'CONOR, Esq., Assistant Secretary to the Government of India, Finance and Commerce Department,

To—The Chairman, Karachi Chamber of Commerce.

I am directed to acknowledge the receipt of your letter, dated the 10th February 1893, addressed to the Home Department, and to say that a copy of

the letter, and of its enclosures, has been transmitted to Her Majesty's Secretary of State for India.

90.] No. 202, dated 24th February 1893.

From—The Hon'ble C. A. Galton, Chief Secretary to the Government of Madras,

To—The Secretary to the Government of India, Finance and Commerce Department.

I am directed to forward the accompanying copy of a letter received from the Honorary Secretary to the Wynaad Planters' Association, together with the memorandum on the currency question referred to therein.

91.] Dated 10th February 1893.

From—The Honorary Secretary, Planters' Association, Wynaad,

To—The Chief Secretary to the Government of Madras.

I have the honour to forward, for the consideration of the Government of India, a memorandum that was drawn up by this Association in November last, and published in the local press as an answer to the reply given by the Government in India to the Darjeeling planters on the currency question. We wished at the time to get the co-operation of all planting Associations in Southern India and to send the memorandum home to Lord Herschell's Committee as the expression of the unanimous opinion of the planting committee. Unfortunately, there has been so much delay in getting answers from other districts that it was only on the 25th January that we were in a position to say that our memorandum was endorsed by all other Associations. As the sittings of Lord Herschell's Committee are now over, I am instructed to forward the memorandum to you with a request that the Government of Madras will be good enough to forward it to the Government of India as the unanimous opinion of the following Planting Associations representing Southern India:—North and South Mysore, Coorg, Travancore, Shevaroys, Nilgiris, and ourselves. South Mysore do not endorse the paragraph respecting wages, as wages have risen there owing to increased cultivation.

A Memorandum on the Currency question drawn up by the Wynaad Planters' Association, and endorsed by the North Mysore, Coorg, Shevaroys, Nilgiris, Travancore Associations, and by the South Mysore Planting Association, with the exception to the paragraph respecting wages.

We maintain that the agitation of the Indian Currency Association is not for the advantage of India as a country. It was got up, and is chiefly supported by Government officials, and such classes as professional men, middlemen, and salaried employés, who form a very small fraction of the population of India. The agitation has experienced considerable opposition among the merchants of Bombay, Calcutta, and Madras. Government officials are doubtless suffering from a severe grievance, inasmuch as they lose a considerable portion of the pay they contracted to receive, and, if they had confined their agitation to their own particular grievance, public sympathy would have been entirely with them. We maintain that Government officials and their supporters in this agitation are not in as close touch as we are with the lower classes of India, nor are they by their training and position as competent to arrive at true opinions on matters affecting the trade of the country. We, on the other hand, by the frequent sales of our produce, are in touch with the markets of the world, and are forced to study the general course of the world's trade as a guide in our business. We also contend that we represent the ryot class; their interests and ours are identical; we are in daily personal communication with our labourers, and through that most delicate of tests, our labour pay sheets, can realise their actual condition over a long term of years. It is for these reasons that we venture to publish an opinion in opposition to that of the governing class.

The Government of India, in summing up its reply to a petition from the tea planters of Darjeeling, says :—

(1) That the country as a whole makes no gain in its international trade by a depreciation of its standard since the extra price received for its exports is balanced by the extra price paid for its imports.

(2) That the producer of an article may make a temporary and unfair gain from the depreciation of the standard at the expense of his employés and others to whom he makes fixed payments.

(3) But this gain, while not permanent, is counterbalanced by a tendency to over-production, and consequent reaction and depression, by a liability to sudden falls in prices as well as rises, and by the general check to the increase of international trade, which necessarily results from the want of a common standard of value between countries which have intimate commercial and financial relations.

(4) That the adoption of one standard of value by England and India would facilitate trade, stimulate production, and place other silver-using countries, such as China, at a disadvantage.

(5) That international trade must be considered as a whole; that trade and production are extended by everything that adds to the welfare of the country at large; and that illegitimate and temporary gain by one section of the community at the expense of another can only prove injurious in the long run.

We would respectfully point out that the strength of the first of these arguments obviously depends on the import trade being of as much value to India as the export trade. We maintain that the intrinsic value to India of the export trade far exceeds that of the import, even as it does in actual volume and money value. The ryots are by far the most numerous class in India, and we are constantly being reminded that the problem of the future is the over-population of the country likely to result if new industries cannot be found for the employment of this ever-increasing mass, unchecked by war or famine. They are also the chief payers of revenue to Government. They are absolutely independent of the import trade, for they can still, as they did formerly supply all their wants from the produce of the country. The practical outlets of this surplus population are local manufactures and the growth of produce for export; and the low rate of exchange has fostered both, and enabled industries such as wheat, tea, hides, etc., to hold their own in the face of an enormous increase of production in other parts of the world. On the other hand, we would point out that, while the fall in exchange has prevented the export trade feeling the fall in gold values (which has so seriously affected industries in gold-using countries), the fall in gold prices has prevented any rise in the rupee-prices of imported goods in India. This is proved by a comparison of prices in 1892 and in 1871-75. Cotton goods of all sorts are one anna in the rupee cheaper; English coal is Rs. 3 per ton cheaper; steel rails are Rs. 13 a ton cheaper than iron rails were, and other metals are cheaper in proportion; oilman's stores and all sorts of wearing apparel are at the same price or cheaper now than they were. The only loss, therefore, that the import trade has suffered is, that it has not been unduly stimulated by the fall in gold values. It is not, however, to the interests of India as a country that local manufactures should be destroyed by an inrush of cheap European goods. The Government of India has for years recognised the policy of fostering local manufactures, and they have prospered so as to excite the jealousy of Manchester. However inconvenient it may be to Lancashire, the Government of India cannot consistently maintain that the absence of an extra stimulus to the import trade is anything but a wholesome check on the over-production of European imports. More especially is this the case when the low value of the rupee outside India, as compared with its value in the country, is inducing those who have their savings in rupees to invest them locally. We would also point out that the interests of the import and export trade are not opposed as the first argument of the Government of

India would seem to imply. Imports are of the nature of purchases made out of surplus income, which can be curtailed if the income of the country cannot do more than provide bare means for subsistence. The export trade and local manufactures are the only industries in which there is room for any material growth of the income of the country, and if these are checked by fixing the rate of exchange, the import trade must suffer with them.

The Government of India admits that the producer of an article for export makes a gain by the depreciation of the standard; but asserts that the gain is only temporary, and it is unfair because it is made at the expense of his employés to whom he makes fixed payments. In this contention Government apparently only contemplates producers on a large scale, and quite overlooks the masses of poor ryots who cultivate exportable produce in their own fields; but even in the case of producers on a large scale, employing large gangs of day labourers, we deny the gain is unfair and at the expense of the employé. The planters of Southern India employ labour from every part of Southern India and Mysore; they keep books showing the rates of wages, the amounts advanced for subsistence allowances, and the balances paid on the conclusion of the various terms of labour. It is shown there that wages are the same now as in 1875. The subsistence allowances and amounts saved by the ryot cooly are the same now as then. A correspondence in the Madras Press elicited the fact that, excluding the last three years as affected by scarcity and fears of famine, common country grains were 20 per cent cheaper in 1889 than in 1875, while exchange had fallen from 1*s.* 11*d.* to 1*s.* 4*d.* Twice in this period of fifteen years grain had risen 25 per cent and gradually fallen again, while exchange steadily fell. The experience of the tea planters of Darjeeling is evidently the same as ours. Mr. Mackay, in his speech in Calcutta, admitted that wages had not risen in the indigo, tea, and jute districts. As the cooly in Southern India gets as many rupees as formerly, and finds that, allowing for the fluctuation of prices due to good and bad season, his rupees buy as much food and clothing as formerly, we fail to see that the charge of an unfair gain is substantiated.

That the gain is temporary, and counterbalanced by a tendency to over-production, and consequent re-action and depression, by a liability to sudden falls in prices as well as rises. This statement supposes the trades of India to be monopolies and not a part of the great trade of the world. By following the course of prices of the chief articles of export during recent years, it will be seen that they, without exception, have followed the universal law of supply and demand, irrespective of the fluctuating relations of value between silver and gold. Over-production and the reduction of profits to a minimum is the tendency of all modern trade, and is not affected by Indian exchange, except in so much as it enables India to compete with other countries more favourably circumstanced. Thus, the price of sugar has fallen owing to the creation of the beet industry; that of wheat from the expansion of American cultivation and the new Bombay trade; that of cotton from the same causes; that of tea from the growth of the India and Ceylon industries causing a glut in the China market. Pepper, one of the most ancient, and for centuries the most lucrative of the industries of Malabar, has been rendered almost unprofitable owing to the competition of the Straits. In the case of hides, the price has fallen owing to enormous tracts in America and Australia having been stocked with cattle. The price of coffee has risen because blights have checked production. The cinchona bark trade exemplifies the law still more clearly. In 1877 sulphate of quinine was selling at 10*s.* per oz. and common cinchona bark from 3*s.* to 4*s.* per pound. It was discovered that the tree would thrive in India and Ceylon. Enormous profits were to be made, although exchange was then high, and capital rushed into the enterprise. In a very few years the island of Ceylon alone was supplying the annual consumption of the world. Stocks increased, and the price of bark fell below 2*d.* per pound, the minimum cost of production. In Ceylon the trees were uprooted to make way for tea. In India disease supervened on want of cultivation, and at last the consumption is again overtaking the production, and the market has felt the first vibration of an upward movement. We do not suppose that merchants in Europe need to have these facts brought to their notice, but we mention them to show how able men in India, under the pressure of loss from low exchange, shut their eyes

to the invariable laws of supply and demand and the evident tendency of modern trade, and think they can affect the world's trade through Indian exchange. It can hardly be contended that the increased production of such of the above articles as are produced in Europe, America, and Australia is due to low exchange. In Ceylon the rush into tea and cinchona was due to the blights of coffee, which left a large and energetic population without the means of subsistence, and the capital sunk in the island without dividends. The supporters of the Indian Currency Association rightly maintain that the rise of the Bombay wheat trade is due more to the opening up of the country by railways and cheap steamer freight than to low exchange. Such facilities could not, however, create a trade unless there was a surplus population feeling the want of fresh outlets for its energies, and we know the population of India has increased one-third in the last twenty years. The same causes are in active operation all over the world, and over-production is likely to be the law of the future, irrespective of Indian exchange. As to the liability to sudden falls in price as well as rises, we, the producers, in common with all *bonâ fide* merchants, deplore violent fluctuations. In part these are due to the inevitable rush into over-production that is sure to take place if the price of any article rules high now that capital and labour are so abundant and means of communication so easy. They are also due to the unfortunate spirit of gambling which pervades all modern markets. We would point out that the most violent fluctuations of late have been due to attempts made by America to artificially raise the value of silver.

"That the adoption of one standard of trade value by England and India would facilitate trade, stimulate production, and place other silver-using countries, such as China, at a disadvantage." We venture to point out that the Government of India gives no reason for this conclusion beyond the statement that general prosperity would result from such a standard, and its belief that its previous propositions are indisputable. It is the answer to the argument of the Darjeeling planters that if the value of the rupee was fixed while the Chinese tael followed the fall in silver, the tea trade of China would again regain the ascendency which had been wrested from her, and might even irretrievably ruin the trade of India. These arguments seem to us based on general principles of political economy, regardless of the special circumstances of Indian trade, and again assume that the import trade equals the export trade in value to the country. The Government of India "recognises that the interest of the tea trade is necessarily a matter of concern to it," but it goes on to imply that if tea can be more economically produced in China, the capital now invested in tea in India should be shifted to some more profitable industry. Those, however, who are experienced in commercial enterprise know too well that the capital invested in an industry that has to be abandoned is lost. The producer cannot shift his capital from one industry to another as the market changes, and finds that the falling exchange alone enables him to continue working at a profit in competition with other silver-using countries. It was urged at a meeting of the Indian Currency Association that it is not low exchange, but falling exchange, that is needed to stimulate the export trade, and that as exchange must touch the bottom sooner or later, the stimulus is only temporary, and will be followed by reaction and depression. We maintain that when once the bottom is touched, no further stimulus will be needed, as Indian produce will then compete on a level with that of other silver-using countries. This, for instance, has not been the case lately in the coffee industry. Brazil, the greatest grower of coffee in the world, has recently had its exchange as low as 10*d*. If Indian exchange is to be fixed and not allowed to follow the fluctuating relations of silver and gold, Brazilian exchange may again fall to an extreme, and her planters receive double the price in silver that we do for coffee of an equal gold value. Java has already practically illustrated the truth of the above statement. Her exchange was fixed at a high rate some years ago, and it is stated that in consequence no cultivation is very profitable there, and tea is being uprooted as unremunerative, though it flourishes in India and Ceylon in spite of low prices. As regards industries, such as wheat and hides, which compete with gold-using countries, the supporters of the Indian Currency Association maintained that low exchange did not benefit them, as every fall in exchange was followed by

a corresponding fall in gold prices, and, with the lowest exchange and freights ever known, last monsoon was the worst season for the export trade on record. We have shown above that any general rise in gold prices is improbable, as production is likely for the present to increase faster than consumption. We do not forget that consumption in its turn will from time to time overtake production, but only those trades which can tide over a period of depression will be able to benefit by the following reaction. However unprofitable the wheat and hide trade may now be, this is due to the competition of other countries over which no action of India can have any control, while her depreciating standard saves her from having to submit to such a low range of prices as their appreciating gold standard inflicts on them. To sum up, we maintain:

(1) That the gain on exports is not balanced by the loss on imports because the export trade is essential to India and the import trade is not. Moreover, the prosperity of the import trade depends on the prosperity of the export trade.

(2) An experience of fifteen years shows us that the gain on exports is neither temporary nor unfair, as the purchasing power of the rupee in India is as great now as it ever was.

(3) That over-production is inevitable from the constant increase of capital and labour in the world, and cannot be affected by the rate of exchange in India. That the effect of a depreciating standard on India's trade is entirely beneficial in that it enables her to tide over the depression that results from this over-production and to benefit by the prosperity that will ensue when reaction comes. That violent fluctuations are due to the spirit of gambling, and would only be intensified by any further attempts to raise the value of silver.

(4) That any attempts on the part of the Government of India to fix one standard of value for England and India can only result in ruining India's trades which compete both with gold-using and silver-using countries, unless a scheme of universal bimetallism is adopted, which will have the effect of raising gold values in the great markets of the world.

(5) That the artificial enhancement of the value of the rupee would not add to the welfare of the country as a whole, because any gain obtained by reducing home charges and interest on the gold debt would be more than counterbalanced by the loss inflicted on the trade and revenue of India; that this gain would be also illegitimate and injurious as benefiting only the small class of non-producers at the expense of the producers, who form the mass of the country.

J. Williams Hockin,
George Romilly,
Committee for the Wynaad Planters' Association.

92.] Dated 24th February 1893.

From—J. M. Dick, Esq., Karachi,

To—The Private Secretary to His Excellency the Viceroy and Governor General of India.

I have the honour to forward the accompanying original document with six spare copies.

93.] Dated 23rd February 1893.

From—Messrs. Donald Graham & Co., Ralli Brothers' Agency, Finlay, Muir & Co., Sanday, Patrick & Co., Ewart, Ryrie & Co., Bryan, Durant & Co., Ritchie, Steuart & Co., Merchants and Agents of Karachi,

To—The Private Secretary to His Excellency the Viceroy and Governor General of India.

With reference to the resolution of the Karachi Chamber of Commerce on the subject of the currency question, dated 10th February, recently forwarded to His Excellency the Viceroy, we have the honour to beg His Excellency's gracious attention to this our protest against the view set forward in that resolution.

As the signatures to this document testify, we have the honour to represent a preponderance of the import and export trade of this port, and our opinion submitted with all due deference is fully expressed in the letter addressed to you, under date 9th February 1893, by several members of the Calcutta mercantile and banking community.

94.] Dated 9th February 1893.

From—MESSRS. H. E. ABBOTT & Co. and others,

To—The Private Secretary to His Excellency the Viceroy and Governor General of India.

We have observed with the utmost concern and regret from the published reports of the interview recently graciously accorded by His Excellency to a deputation from the Indian Currency Association that His Excellency seems to have adopted the conclusion that the representations which were then addressed to him formed an authoritative statement on behalf of the banking, trading, commercial, and industrial interests of this port.

It is with some surprise also that we find His Excellency telling the Indian Currency Association that their policy so to speak holds the field, and that we and others in this country who think with us shall have no one but ourselves to blame if the Association's facts and figures are accepted as an authoritative statement of the interests which they claim to present.

We beg most respectfully to assure His Excellency that he is under a misapprehension. As the signatures to this document testify, we have the honour to represent a large proportion of the business of Calcutta, and we have good reasons for believing that we have behind us in support a similar proportion of those interested in the planting, manufacturing, and other productive industries of the Presidency.

Our opinion, which we submit with all due deference, is that the measures being urged upon the Government of India by the Currency Association for steadying and raising the rupee are uncertain, unsound, and mischievous, fraught with danger to the financial credit of the Government, and to the commercial prosperity and development of the country.

We do not favour a fluctuating or depreciating rupee, but we are more averse to a fictitious, artificial sterling value being placed upon the rupee, and we believe that any proposals yet submitted by the Currency Association would have much worse effects than those of the state of things which these proposals are intended to remedy.

As practical experienced business men, we do not hold with the assertion of the President of the Currency Association that the fall in silver has restricted and embarrassed the trade of the country to such an extent as to create an almost unparalleled state of depression. We believe that the causes of the depression, such as it is, are to be found elsewhere.

On the other hand, we desire to make known that we are not insensible to the embarrassment of the Government as regards the present state of its finances or wanting in sympathy for the employés of the Government who have suffered by the recent fall in exchange, but we submit that, in order to make these matters right, it does not appear to us to be necessary or desirable for the Government to resort to the desperate expedient of tampering with the monetary basis upon which the financial and commercial system of the country is founded, and under which the country has hitherto been most prosperous.

We have noted with satisfaction His Excellency's reference to the importance of the report to be presented by Lord Herschell's Committee, because our views have been fully placed before that Committee by some of our senior representatives, and we beg to crave His Excellency's kind reference to a letter which some of our number addressed to the Bengal Chamber of Commerce in September last, and of which a copy is attached.

Dated 3rd September 1892.

Demi-official from—MESSRS. GEORGE HENDERSON & Co. and others,

To—The Secretary to the Bengal Chamber of Commerce.

An active canvas has been carried on for some time past for signatures to the memorial of the Indian Currency Association by the President of the Association and others, and it appears that many members of the Chamber have subscribed the document. We learn from your letter No. 751-92 of 26th ultimo that the Committee of the Chamber have not discussed the memorial,

and under these circumstances, having regard to the importance to the mercantile community of the question involved, we desire to record the following short protest:

The memorial is based upon a highly incorrect representation of facts, and its prayer to Parliament to empower the Government of India to deal with the currency as it may deem fit is one which, in our opinion, should on no account be granted.

95.] Dated 25th February 1893.

From—Messrs. Allana Munjie & Co. and others, Bombay,

To—The Private Secretary to His Excellency the Viceroy and Governor General of India.

We wish to take the opportunity of cordially endorsing the views expressed in a letter from a number of the leading bankers and merchants of Calcutta, under date 9th instant, to yourself for submission to His Excellency the Viceroy.

We are firmly of opinion that the proposals of the Indian Currency Association, if entertained, are fraught with danger to the commerce of the Empire, and certain to fail in their object of securing stability in the sterling value of the rupee.

96.] Dated 23rd February 1893.

From—Colonel J. C. Ardagh, c.b., r.e., Private Secretary to the Viceroy,

To—The Signatories of the letter dated the 9th February 1893 [No. 94.]

I am desired by His Excellency the Viceroy to acknowledge the receipt of your communication upon the subject of the statements made by His Excellency upon a recent occasion to a deputation from the Indian Currency Association. Your letter, although dated the 9th February, did not reach my office until the 19th.

I am to say that a copy of the letter has been forwarded to the Secretary of State by this week's mail, and will, no doubt, be considered by Lord Kimberley together with the statements submitted to the Viceroy by the deputation referred to above.

In reference to your remark that you have "observed with the utmost concern and regret" that His Excellency "seems to have adopted the conclusion that the representations" addressed to him by the deputation "formed an authoritative statement on behalf of the banking, trading, commercial, and industrial interests" of Calcutta, I am to point out to you that the tenor of the Viceroy's reply, and particularly the concluding portion of it, showed clearly that he was aware that the views of the Currency Association did not find universal acceptance. The closing words of the Viceroy's speech, upon which you have specially commented, were intended to call attention to the fact that, although the Currency Association had repeatedly placed before the public the arguments by which its proposals were supported, no similar statement had, to the best of the Viceroy's belief, ever been made on behalf of those who were in disagreement with the Association. Under these circumstances His Excellency described the policy of the Association as, "so to speak, holding the field," a description which, in the sense indicated by His Excellency, does not seem to him to be an inaccurate or unreasonable one.

The Viceroy observes that your letter under reply and that addressed by Messrs. Henderson and others to the Bengal Chamber of Commerce in September last contain little more than an expression of opinion on the part of those who have signed them. He understands, however, from the last paragraph of your letter that you consider your views to have been already fully placed before Lord Herschell's Committee by your representatives in England, and that you do not desire to submit any further statement of the grounds on which your opinion is based.

97.] No. 103, dated 22nd March 1893.

From—The Government of India,

To—The Secretary of State for India.

In continuation of our despatch No. 91 (Financial), dated the 8th March 1893, we have the honour to forward copy of a memorandum submitted by the Wynaad Planters' Association and of letters signed by certain merchants in Karachi and Bombay on the subject of the Indian currency.

Cx c. 17

98.] Dated the 15th June 1893.

Telegram from—His Excellency the Viceroy,

To—The Secretary of State for India.

The Report of the Indian Currency Committee has been received and considered by us. The proposals made by us, as described in our telegram of 22nd January 1893 and embodied in the draft Bill, were that the Indian mints should be closed to the free coinage of silver, power being retained to coin rupees on account of Government, and that power should be taken to declare by notification English gold coins legal tender in India at a rate of not less than $13\frac{1}{3}$ rupees to the sovereign.

From paragraph 155 of the report we understand that our proposals are accepted by the Committee with the further recommendation to accompany the closing of the mints to the free coinage of silver by an announcement that gold will be received until further notice at the mints in exchange for rupees at a ratio of 1*s.* 4*d.* the rupee, and that sovereigns will be received at the same rate in payments of sums due to the Government.

We consider that on the whole sufficient reasons have been shown for preferring this modification, which we accept, to our original proposal to stop free coinage and await course of events before dealing at all with the question of ratio of exchange.

In paragraph 135 the Committee express the opinion that the closure of the mints should be resorted to rather for the purpose of preventing a further fall than of raising the gold value of the rupee. We concur in this opinion, and Your Lordship will have understood that the proposal contained in our telegram of 22nd January had for its object to fix a maximum limit above which exchange should not under any circumstances be allowed to rise, and that we should have been ready to adopt a lower ratio if the results following the closure of the mints showed that course to be expedient. We consider, therefore, that the Committee were judicious in recommending the announcement suggested in paragraph 155. We attach great weight to the arguments adduced in paragraph 150 in support of the proposal. Commercial interests will probably be occasioned less apprehension and inconvenience by its adoption than by our own proposal. Compared with the fluctuations experienced by trade during recent years, a rise to 1*s.* 4*d.* from the present rate will not be serious.

We could bring into effect by executive orders the arrangement for the receipt of gold in exchange for rupees and for the acceptance of sovereigns in payment of Government dues, or we could insert the required provision in the Bill. We think the former course preferable.

If Your Lordship concurs with the Committee, we trust that, as soon as you have come to a decision, you will empower us to take immediate action. If the proposals are supported not only by the weighty authority of the Committee, but also by the concurrence of Her Majesty's Government, the Government of India, and the influential commercial interests which have declared themselves in favour of this policy, we submit that they should be carried into effect forthwith without further discussion. No information to be compared in value with that already in Your Lordship's possession is likely to be elicited in India, and the effects of further suspense would be injurious.

Our original proposal is preferred by our colleagues Sir Philip Hutchins and Sir Alexander Miller, but they are willing to accept the modifications proposed in the Report.

99.] Dated the 20th June 1893.

Telegram from—The Secretary of State for India,

To—His Excellency the Viceroy.

With reference to your despatch, dated 21st June 1892, and your telegram of the 15th instant, Her Majesty's Government have come to the decision to approve the proposal made by you to close the mints to free coinage and to arrange to adopt a gold standard with the modifications suggested by the Indian Currency Committee which you have accepted. I accordingly empower Your Lordship's Government to take forthwith the measures required to give effect to this decision.

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Report of the Indian Currency Committee.

TO THE RIGHT HONOURABLE THE EARL OF KIMBERLEY, K.G.,
Secretary of State for India.

INDIA OFFICE,
31st May 1893.

Statement of the Question.

Question referred to the Committee.

1. The question referred to the Committee by Your Lordship is whether, having regard to the grave difficulties with which the Government of India are confronted through the heavy fall in the gold value of silver, it is expedient that Her Majesty's Government should allow them to carry into effect the proposals which they have made for stopping the free coinage of silver in India with a view to the introduction of a gold standard. And if we are of opinion that there is no sufficient ground for overruling the Government of India, but that the measures by which they propose to attain their object require modification, we are asked to offer any suggestion that we think fit for the purpose.

Points to be considered.

2. The expediency of allowing the Government of India to carry into effect the proposals which they have made must depend on the view of the present and future situation of that Government as regards their revenue and expenditure as well as upon a just estimate of the effect of a varying and possibly much lower exchange upon the commerce and people of India.

Financial difficulties of the Government of India.

Increase in number of rupees needed to discharge gold obligations.

3. There can be no doubt that the Government of India have experienced serious difficulty owing to the fall of exchange which has been going on for many years. The Government have yearly to remit a very large sum to this country in discharge of their gold obligations. In 1873-74, before the fall commenced, the amount remitted was 13,285,678*l.*, which, at a rate of exchange of 1*s.* 10·351*d.*, was represented by Rx. 14,265,700. During last year (1892-93) the amount remitted was 16,532,215*l.*, which, the average rate of exchange in that year, *viz.*, 1*s.* 2·985*d.*, required a payment of Rx. 26,478,415. If this could have been remitted at the exchange of 1873-74, it would have needed only Rx. 17,751,920. The whole of this difference of Rx. 8,726,495 cannot properly be regarded as a loss to the Government of India arising from the difference in exchange. It is certain, however, that India had actually to remit in 1892-93 upwards of Rx. 8,700,000 more than if the exchange had been at its former point.

Consequent present deficit.

4. At an estimated exchange of 1*s.* 4*d.* per rupee for the past year, a surplus of revenue over expenditure was shown of Rx. 146,600; the exchange having fallen to an average of rather less than 1*s.* 3*d.*, this surplus has been converted into an estimated deficit of Rx. 1,081,900, notwithstanding the improvement of the revenue by Rx. 1,653,300 over the Budget Estimate.

Prospect of further fall in exchange.

5. Nor is this all. The Government are compelled to contemplate a further fall, the effect of which cannot be forecast. There has been for some years past an almost continuous fall in exchange, though it was varied by a sharp rise in the year 1890. The average rate in 1889-90 was 1*s.* 4·566*d.* In 1890-91 the average rate was 1*s.* 6·089*d.* But in 1891-92 it fell to 1*s.* 4·733*d.*, in 1892-93 to 1*s.* 2·985*d.*, and exchange has been of late scarcely maintained at 1*s.* 2⅝*d.* by the refusal to sell bills on India below that rate. The extent to which the financial position of the Government of India is affected by exchange is emphasised in the following passages of the recently published statement of Sir David Barbour:

Sir D. Barbour on the situation.

"The immediate cause of our financial difficulties, and the cause which, by comparison and for the time being, dwarfs all others, is the fall in the gold value of silver, which, as I have already shown, has added to the Indian expenditure in two years more than four crores of

rupees. If that fall could be stayed and the rate of exchange with England fixed permanently at even its present low figure, the difficulty of dealing with the present deficit would be comparatively light. The revenue continues to grow in a satisfactory manner; even under the influence of indifferent seasons and poor harvests, it has made fair progress. If we could feel assured that there would be no further fall in exchange, I have little doubt that increase of revenue, restriction and reduction of expenditure, with possibly some taxation of a temporary nature, would in a very short time re-establish equilibrium. A serious effort would no doubt be required in the first instance, but with a fixed rate of exchange we would have a definite task before us, and our measures could be regulated accordingly. But it unfortunately happens that, unless some settlement of the currency question is obtained, there is no prospect of even the most moderate degree of stability in the rate of exchange.

* * * * *

"Our financial position for the coming year is at the mercy of exchange, and of those who have it in their power to affect in any way the price of silver. If we budget for the present deficit of Rx. 1,595,100, and exchange rises one penny, we shall have a surplus; if it falls a penny, we shall have a deficit of more than three crores; if we impose taxation to the extent of one and a half crores of rupees, a turn of the wheel may require us to impose further taxation of not less magnitude; another turn, and we may find that no taxation at all was required. It will be obvious from what I have just said that what we have got to consider in making our arrangements for next year is not so much the question of increasing the public revenue or restricting that portion of the public expenditure which is under our control, but the chances of a settlement of the currency question."

Value of Silver.

Recent production of silver.

6. The production of silver has largely increased of late years, as will be seen from the following table, based as regards the earlier years on the statistics compiled by Professor Soetbeer, and as to the more recent years on the reports of the Director of the Mint in the United States:

Average annual production of silver.	Kilos.	Approximate equivalent in ounces at 32·15 to the kilogramme.
1876 to 1880	2,450,252	78,776,000
1881 to 1885	2,812,908	90,435,000
1886 to 1890	3,459,201	111,213,000
1890	4,144,233	133,237,000
1891	4,493,100	144,453,000
1892	4,731,000 to 4,900,000	152,102,000 to 157,535,000

Bland Act in United States.

7. In the year 1878 what is known as "the Bland Act" was passed by the Legislature of the United States, which required the Government of that country to purchase not less than 24,000,000 and not more than 48,000,000 dollars' worth of silver per annum, which would be equal to a consumption varying from 20,625,000 to 41,250,000 ounces (641,000 to 1,283,000 kilos.) in the year. Under the authority of that Act the Government purchased yearly the minimum amount required. Notwithstanding these purchases, the price of silver fell from $52\frac{9}{16}d.$ per ounce, the average of 1878, to $43\frac{11}{16}d.$ in February 1890.

Sherman Act.

8. In that year what is known as "The Sherman Act" was passed by the United States Legislature, under which the duty was imposed on the Government of purchasing no less than 54,000,000 ounces (1,680,000 kilos.) a year in lieu of the amount required to be purchased under the Bland Act.

9. The effect of this obligation to purchase silver to the value of about six millions sterling beyond the purchases required under the earlier law, coupled probably with the anticipation that further legislation, and perhaps free coinage of silver, would follow, was a sudden and considerable rise in the value of silver, which culminated in the month of September 1890, when it reached the price of $54\frac{5}{8}d.$ per ounce. There was, however, a speedy decline from this price, and since July 1892 silver has realised not more than an average of $38\frac{1}{2}d.$ per ounce, the present price being $37\frac{11}{16}d.$

Rise in value of silver in 1890.

10. Even if the increased production is kept in view, it is not easy to understand why, with the increased purchasing by the United States to the amount of six millions sterling per annum, and the simultaneous large increase of the Indian imports of silver, which averaged from August 1890, when the Sherman Act come into force, to March 1893, upwards of 46,500,000 ounces, the price should be sixpence per ounce lower than it was in the beginning of 1890. It has, indeed, been argued that the recent fall in the price of silver was due to the blow which the passing of that Act gave to the hopes of those who desired the free coinage of silver. But against this it is to be observed that the price of silver in London rose during the time that the Sherman Act was passing through Congress, and continued to rise for some weeks after it became law. Whatever be the cause, the fact that, although the United States Government have under that Act made purchases varying from 34 to 42 per cent of the estimated production of the world, and India has increased and not diminished her imports of the metal, the price of silver has fallen to its present low level is beyond question and of grave moment.

Effect of American legislation and Indian imports on value.

11. Supposing even that no change were made in the currency arrangements of the United States, the experience of the past would forbid the conclusion that the price of silver would be stationary at its present level. It would be imprudent to act on the assumption that no further fall is possible or even probable.

Further fall in value of silver to be expected.

12. The International Monetary Conference which recently assembled at Brussels has not led to any change in the situation, and, although it adjourned to a future day, that day is now past, and it seems uncertain whether there will be any further meeting.

Brussels Conference.

13. Moreover, a strong agitation exists in the United States with respect to the law now in force providing for the purchase of silver. Fears have been, and are, entertained that there may come to be a premium on gold, and strong pressure has been brought to bear upon the Government of that country with a view to bring about an alteration of that law.

Agitation in United States.

14. In December last a Bill was introduced in the Senate to repeal the Sherman Act, and another to suspend purchases under it. Whether any such measure will pass into law it is impossible to foretell, but it must be regarded as possible; and although in the light of past experience predictions on such a subject must be made with caution, it is certainly probable that the repeal of the Sherman Act would be followed by a heavy fall in the price of silver.

Possible repeal of Sherman Act.

15. Opinions differ as to the fall in price which would be effectual largely to check the production of silver. From time to time, as the price of silver has continued to fall, the opinion has been expressed that the point had been reached at which production must be checked. Experience has, however, falsified all these predictions. It is, of course, true that the fact that the working of a mine has become unprofitable does not ensure that the output shall be at once diminished or the mine closed. But, if this state of things were long to continue, and owing to a progressive fall in the price of silver mining operations could only be carried out at an increasing loss, one would expect to find the working abandoned before any very long period had elapsed. It is, however, remarkable

Increase in production notwithstanding fall in price.

that a period of continually increasing fall in the price of silver has been coincident with a large increase in the production of that metal. In the quinquennium 1876—1880, the annual average price of silver ranged from $54\frac{13}{16}d.$ to $51\frac{1}{4}d.$, the average for the quinquennium being $52\frac{3}{4}d.$ In the next quinquennium, 1880—1885, the range was from $51\frac{1}{16}d.$ to $48\frac{5}{8}d.$, the average for the quinquennium being $50\frac{5}{8}d.$, whilst from 1886 to 1890 the price ranged from $47\frac{1}{16}d.$ to $42\frac{11}{16}d.$, the average for the quinquennium being $44\frac{5}{8}d.$ And yet the annual average production of silver at the last quinquennium was 3,459,201 kilos. (111,213,000 ounces) as compared with 2,450,252 kilos. (78,776,000 ounces) in the quinquennium 1876—1880, being an increase of 41 per cent. And with an average price in 1891 of $45\frac{1}{16}d.$ and in 1892 of $39\frac{13}{16}d.$, or an average for the two years of $42\frac{7}{16}d.$, the production of 1891 has been estimated at 4,493,100 kilos. (144,453,000 ounces) and that of 1892 at 4,731,000 to 4,900,000 kilos. (152,102,000 to 157,535,000 ounces). This may show that, even at the present price, the production of silver is still profitable in a large proportion of the mines, and that in some it is sufficiently so to stimulate increased development, and that even a further fall would not necessarily diminish the total output. The phenomena may, indeed, be partly accounted for by the circumstance pointed out in the Report of the Gold and Silver Commission that investments in the mines of precious metals are largely of a speculative character, and that many such mines may be opened out and worked for a considerable time at a loss in the hope that such rich deposits of the ore will be found, or that altered circumstances may so change the value of the metal that great gains will be reaped in the future.

Effect of further fall on remittances of Government of India.

16. A review of the changes in the price and production of silver which have characterised the last 12 years certainly forbids our entertaining any confidence that, if a further heavy fall in the price of silver were to take place, it would be at any point capable of estimation checked or counteracted by diminished production. It must be remembered, as pointed out by the Gold and Silver Commission, that the effect of throwing a large quantity of silver upon the silver market is not to be measured by the proportion which that quantity bears to the whole stock of silver in the world, but by the proportion which it bears to the stock of silver in the world after deducting from that stock the very large amount of silver money now kept in circulation by countries which have a silver token currency, since all of this money circulates at an artificial value, and none of it is subject to the fluctuations of the market. It cannot be regarded then as otherwise than within the reasonable bounds of possibility that a repeal of the Sherman Act might lead to a fall in the price of silver of even 6*d.* per ounce or more, and that there might be no substantial reaction from the level thus reached. Such a fall would, it may be said with practical certainty, reduce the exchange to about 1*s.* 0*d.* per rupee, and involve the necessity of raising at least Rx. 6,612,000 more than would be required by the Government of India to effect, even at the rate of exchange of 1*s.* 3*d.* per rupee, a remittance of the amount drawn last year, namely, 16,530,000*l.*, while the payment of 19,370,000*l.*, which is the present estimate of the drawings for 1893-94, would, at 1*s.* 3*d.* per rupee, require Rx. 30,992,000 and at 1*s.* 0*d.* per rupee Rx. 38,740,000, involving an increase of Rx. 7,748,000.

Claims of Indian officials.

Servants of Government.

17. The difficulties which the Indian Government have in meeting the Home charges are aggravated by the fact that the fall in exchange has led to claims on the part of their officers, civil and military, who receive salaries in rupees, to some compensation for the loss which they sustain owing to the fall in exchange. Many of those officials are under the necessity of remitting a considerable portion of their income to this country for the support of their families and the education of their children. It has been said that prices have fallen in this country during the last 15 years, and that a smaller sterling remittance will now purchase more than formerly. This is no doubt to some extent true, but it does not apply to all prices. It is a matter of dispute how far the fall of prices in this country compensates for the smaller sterling remittance

which the same number of rupees will procure; but it is certain that, when due allowance has been made for this, the purchasing power of the incomes of Indian officials has been largely reduced.

Practice of private employers.

18. It appears that some European employers have felt themselves bound to make an allowance to the Europeans in their service in India sufficient to counterbalance to some extent the loss which they experience owing to the fall of the rupee; and there can be little doubt that even in existing circumstances, and still more if the fall of exchange continues, the Government of India cannot turn a deaf ear to the appeals of their servants for similar treatment without the danger of engendering serious discontent, apart from the question whether such appeals are just and reasonable.

Expansion of Revenue.

Expansion of revenue hitherto.

19. Hitherto the expansion of the revenue has largely provided for the additional calls which the fall of exchange has made on the Government of India. There has been, in spite of these additional calls, an average surplus during the last 10 years of Rx. 261,550. It is true that, but for the expenditure rendered necessary by the fall in exchange, there might have been further remissions of taxation, and more might profitably have been spent upon public works. Though upon the whole the Government have not been compelled to impose increased taxation in order to discharge their liabilities whilst the fall in exchange has been in progress, certain alterations have been made in the taxation of the country—some in the direction of remission, others of an increase—with the net result that the amount of the increase has not greatly exceeded the amount of the remission. But it is noteworthy that, whilst the remissions were all prior to 1882, the increased taxation has for the most part been imposed since that date. The addition to the salt tax, which was the principal source of increased revenue, produced a sum of Rx. 1,725,000.

Cannot be relied upon to meet future deficiencies.

20. In the past year the fall in exchange of about one penny has added Rx. 1,635,300 to the expenditure with the result of an expected deficit of Rx. 1,081,900 instead of the anticipated surplus; and the rate in 1893-94 being estimated at 1*s.* $2\frac{3}{4}$*d.* per rupee, an addition of Rx. 2,229,400 is caused to the expenditure beyond the charge for exchange entered in the Budget of March 1892. If a further heavy fall in exchange were to take place, it is impossible to expect that a financial equilibrium would be brought about by an expansion of the revenue alone.

Effect of fall in Exchange on the people of India and its Commerce.

Effect of fall in Exchange on the people of India.

21. Before considering how the Government of India can meet the difficulties which they experience, and which they feel compelled to anticipate, it will be well to enquire what effect the variations in exchange to which attention has been called have produced upon the commerce of India and the prosperity and condition of its people.

Effect on the remittance of produce.

22. In estimating the effect upon the people of India of its being necessary to raise an increased number of rupees to meet the sterling remittances of the Government of that country, it must be borne in mind that the extent of the burthen imposed upon the people of India by these remittances is measured by the quantity of produce which they represent, for it is by the export of the produce that the debt is in reality discharged. In so far as the necessity of exporting more produce arises from the circumstance that gold prices are lower, the people of India are in the same position as those of Australia or any other country which has to export produce for the purpose of paying the interest on its gold debt. The question to be considered is, what effect has the fall in exchange upon the amount of produce which must be exported to meet a given gold liability? To determine this, the gold price of the produce must be assumed to be stationary. When silver falls in relation to gold, the greater number of rupees which is

required to meet a given gold payment will not represent a greater quantity of produce than before if the silver price in India of the produce exported responds to the changed value of silver in relation to gold, *i.e.*, if it has risen, or has been prevented from falling. Silver prices must ultimately thus respond, although an interval may elapse before the correspondence is complete; and during this time, whilst more produce is exported, the Indian ryot is getting proportionately less in silver for his produce. It has indeed been alleged that the fall in the gold price of certain Indian products is to be attributed to the fall in the value of the rupee, but this allegation is strongly controverted; and, having regard to the phenomena presented in the case of Indian products not greatly open to competition, and to the necessary effect of competition in the case of those which are within the sphere of its influence, it seems far from clear that the fall in the gold price of Indian products would have been materially less if the exchange had not fallen.

Transfer of burdens from one class to another.

23. Even if the burden upon the people of India as a whole has not been increased by the fall in exchange, there can be no doubt that it has been to some extent shifted from one class to another. The burden of those who pay a fixed land revenue under a permanent settlement has been lightened, and the same may be said of all those whose land revenue has not been resettled in recent years, or resettled with adjustment to meet the most recent conditions. On the other hand, the increased salt tax presses upon the people at large, and renders more heavy the taxation of those who for the most part have suffered rather than benefited from the higher rupee prices due to the fall in the gold value of silver.

Effects on commerce.

24. We pass now to consider the manner in which the commerce of India is alleged to have been injuriously affected by the variations in exchange.

Harassment of trade by fluctuations.

25. It is said that legitimate trade is replaced by mere speculation and gambling. There seems to be a common agreement amongst those who differ in their views upon almost all other points that trade is seriously harassed by these fluctuations, though the estimates do not all agree as to the character and the extent of the inconvenience arising from this cause. It does not appear to be certain, even in the view of those who are most strongly sensible of the mischievous effect of fluctuations of exchange, that the volume of trade over a series of years has been diminished from this cause, though there seems a common agreement that any sudden or violent fluctuation almost paralyses business for a time. It is to be observed that it is not so much the fall of exchange which is complained of as the fluctuations, whether in one direction or the other. Some of those who admit the mischief to trade of exchange fluctuations allege that the extent of the mischief is not serious, since provision can be largely made against the effect of those fluctuations through the medium of banks; but it is clear that the traders cannot completely safeguard themselves in this way, and that such security as they obtain in this respect must be paid for. It must be remembered that before the fall in the price of silver began, and the fluctuations in the rate of exchange dependent upon it, the rates of exchange varied very considerably during particular years, though, no doubt, the fluctuations have been much more frequent and considerable since that time.

Fluctuations add to the risks of trade.

26. Upon the whole, it cannot be doubted that it would be well if commerce were free from the inconveniences of fluctuations which arise from a change in the relation between the standard of value in India and in countries with which her commerce is transacted. It must not be assumed that the adoption of the same standard for the United Kingdom and India would remove all the disquieting causes of the disturbance of trade of which complaint is made. If the commodity which lies behind the exchange transaction is one that continues to fall in relation to gold, the risk which arises from bargains in a falling market will still be present. The liability of the standard of the one country to fall in relation to the other causes, however, an additional risk, and consequently increased disturbance to trade.

Alleged stimulation of exports by fall in exchange.

27. It is said that the tendency of a falling exchange is to stimulate exports; that, inasmuch as more silver, *i.e.*, a higher silver price, is received in respect of the same gold price, whilst wages and the other factors in the cost of production do not increase in the same proportion, production becomes more profitable, and is therefore stimulated. Assuming this to be true, the effect of each successive fall must be transitory, and can continue only until circumstances have brought about the inevitable adjustment. Although one may be inclined, regarding the matter theoretically, to accept the proposition that the suggested stimulus would be the result of a falling exchange, an examination of the statistics of exported produce does not appear to afford any substantial foundation for the view that in practice this stimulus, assuming it to have existed, has had any prevailing effect on the course of trade; on the contrary, the progress of the export trade has been less with a rapidly falling than with a steady exchange. For example, from 1871-72 to 1876-77 the gold value of the rupee fell constantly from 23·126*d.* to 20·508*d.*, or about 11¼ per cent; the exports of merchandise were actually less in the latter year than in the former, although in 1876-77 their rupee value exceeded by about 10 per cent. that of the exports of either 1870-71 or 1872-73. From 1878-79 to 1884-85 exchange was fairly steady, the average rates varying only between 19·961*d.* and 19·308*d.* per rupee, or about 3¼ per cent; and during those six years the exports rose by no less than 36½ per cent Again, between 1884-85 and 1888-89 the fall of the rupee was very rapid, from 19·308*d.* to 16·379*d.*, or over 15 per cent, and the exports increased during those four years by 16½ per cent; but in the single year 1889-90, when there was a slight improvement in the exchange, the exports increased by more than 6½ per cent. It is said, too, that, whilst a falling exchange tends to stimulate exports, there is a corresponding tendency to check imports. Here again statistics do not seem to show that diminished imports have been coincident with a lower exchange. Taking the same periods as before, from 1871-72 to 1876-77, when exchange fell 11¼ per cent, imports of merchandise into India increased by 17 per cent; from 1878-79 to 1884-85, when exchange was steady, the increase of imports exceeded 47 per cent; between 1884-85 and 1888-89, when the rupee fell about 15 per cent, the imports were augmented by nearly 25 per cent; while in 1889-90, when exchange slightly rose, the imports were rather less than in the previous year. Upon the whole we cannot see any evidence that the effect of a falling exchange on the country at large in influencing either exports or imports has over a series of years been very considerable. Some trains of *a priori* reasoning would seem to lead to the same conclusions, and also to the further conclusion that, even if a fall in the gold value of the rupee does stimulate exports, the result is not necessarily to the benefit of India as a whole, though it may temporarily benefit the employer at the expense of the wage-earner, because wages rise more slowly than prices.

Check to investments in India.

28. The want of a stable exchange between England and India, and the fact that it has fallen so heavily, has, it is alleged, greatly checked the investment of British capital in India and the development of the country which would have been the fruit of such investments. London is the lending market, and London thinks in gold. London is ready enough to lend upon contracts for repayment in gold, but hesitates to enter upon silver transactions, or to engage in industrial enterprises in a silver country. There can be no doubt that uncertainty as to the interest which would be received for the investment, and as to the diminution which the invested capital might suffer if it were desired to retransfer it to this country, tends to check British investments in India. This is a real evil, the importance of which we do not desire to underrate. It has been pointed out, however, that a great number of industrial enterprises have been established in India during recent years, such as collieries, cotton mills, jute mills, woollen mills, and paper mills, in which much capital has been invested; and that large sums have been spent upon tea plantations is evidenced by the enormous increase in the quantity of tea grown in and exported from

India. And it must be remembered that the adoption by India of the same standard which exists in England might not remove all obstacles to the investment of capital in that country. Capitalists have of late been slow to invest in many kinds of industrial enterprise owing to the fact that prices are falling, or have fallen very generally. If a gold standard were adopted for India, and similar phenomena of falling prices ensued there, capitalists might still be unwilling to provide capital for industrial enterprises. In connection with the point under discussion, it may be well to observe that a falling exchange, owing to its effects upon their salaries, savings, and pensions, renders it more difficult to procure and arrange for the services of the European employés required for the carrying on of industrial undertakings in India.

Attraction of open mints for depreciating silver.

29. There is another point which ought not to be passed over in silence. It is said that by making silver the standard, and keeping the Indian mints open to silver, the Anglo-Indian Government have attracted to India that depreciating metal, and have thus made India purchase at a comparatively high cost an enormous quantity of it, which is now of less value than when it was bought. In this there is some truth, but also much exaggeration. There can be no doubt that an open mint in India offers a market into which silver could be continuously poured without regard to the currency requirements of India until such an alteration in prices of commodities was brought about as to make its importation no longer profitable. It is only when and so far as the opening of the mints to silver has led to the importation and coinage or hoarding of useless and now depreciating silver that the free coinage of silver can be considered to have inflicted a loss upon India. What this loss amounts to we cannot determine, but we are not without indications that India is becoming surfeited with silver.

Recent imports and coinage of silver.

30. The net imports of silver into India in the 23 years from 1870-71 to 1892-93 have been Rx. 165,226,000, or an average of Rx. 7,184,000 a year, and the coinage demands have amounted to upwards of Rx. 6,500,000 annually, so that we may infer that nearly the whole of the newly imported silver has during these years passed through the mint. Since 1877-78 the net yearly imports ranged from about ½ to 11 millions Rx.; but in 1890-91 there was an abnormal rise to more than 14 millions. Much of this silver appears to have remained in the Currency Department, causing at the same time a great and sudden inflation of the paper currency. Between March and December 1890 the note issue increased from about 15¾ crores of rupees to 27 crores, an increase of 71 per cent. The inflation was yet further aggravated, and at the end of August 1892 the notes issued stood at more than 29 crores; but, according to recent returns, there has been some contraction, and the amount in circulation is now about 26 crores. With this sudden expansion of the issue of notes a corresponding increase in the silver coin and bullion reserve took place, *viz.*, from Rx. 9,771,782 at the end of March 1890 to Rx. 21,410,022 at the end of January 1891, an addition of more than 11½ crores of rupees. It deserves notice in connection with this subject that throughout 1892 the import of gold not only ceased to be in excess of the exports, but the current was reversed. During the five years ending with March 1890 the average net import was about Rx. 3,000,000. In 1890-91 it was Rx. 5,636,172, in 1891-92 it was Rx. 2,413,792, whilst in 1892-93 the net import ceased, and the excess of exports was upwards of Rx. 2,800,000.

Export of gold.

Prices in India seem to be rising.

31. Down to a comparatively late date it was generally believed that, notwithstanding a fall in the gold value of silver, prices in India had been practically unaltered; but the evidence before us points to the conclusion that during recent years the silver price of Indian produce has risen. If, as experience shows, wages respond more slowly to the alteration in the value of the standard, this rise in the price of produce must have been prejudicial to the wage-earning classes.

32. The above facts give reasons for believing that the recent fall in silver, coupled with the open mint, has led India to import and coin more silver than she needs, and the worst of the evil is that it is a growing one. Every unnecessary ounce of silver which has been, or is being, imported into India is a loss to India so long as silver is depreciating in gold value; for it is, *ex hypothesi*, not needed for present use, and it can be parted with only at a sacrifice. So far as the open mints attract unnecessary silver to India, they are inflicting a loss upon the people of the country, and benefiting the silver-producing countries at the cost of India.

Import of useless silver injurious to India.

33. So far, we have dealt only with the past. We have now to consider the effect to be anticipated from a continued, and not improbably heavy, fall in the exchange between India and England.

Effects if fall should continue.

34. All the evils to which attention has been called would, of course, be aggravated and intensified. If prices continued to rise, while wages were more slowly advanced, the material condition of the wage-earning class would be continually deteriorating. As respects the Government, we have already pointed out that, if no change be made in the currency arrangements of the country, and a heavy fall were to take place, such as we have referred to as possible, they would, unless they could largely reduce their expenditure, be compelled, in order to meet the increased demands upon them, to impose increased taxation to a very serious extent. It has been suggested that economy in the civil and military administration of India is still possible, a point which does not fall within the scope of our inquiry; but, even assuming that the expenditure of the Indian Government might without impairing efficiency of administration be diminished, it cannot be supposed that this could be done suddenly to a very great extent, so as to meet the anticipated difficulty. The net expenditure of the Government of India is about Rx. 50,000,000. Supposing the deficiency which had to be met should be from Rx. 8,000,000 to Rx. 10,000,000, it is not conceivable that an equilibrium could be brought about by reducing the expenditure. When we pass to consider whether the revenue required to meet the deficiency might be raised by increased taxation, we encounter at once a position of great delicacy. There is no doubt that in several directions increased taxation is possible, but the difficulties connected with it are grave, and its political danger is said to be a matter of serious moment.

Existing evils would be intensified, and increase of taxation become necessary.

Possibility of increasing taxation.

35. Inasmuch as the Indian producer has so far benefited by the fall in exchange that he has received a higher silver price for his produce than would otherwise have been the case, and the burden of the land revenue he has to pay has thus become less, it would be natural to seek in an increase of the land revenue a large contribution towards the deficiency. Nearly one-fourth of the land revenue is, however, permanently settled. Of the remainder the greater part is fixed on assessments for 30 years, most of which are of recent date. It is impracticable, therefore, to derive from this source the revenue required.

Existing taxes.

Land revenue.

36. An increase of the salt tax has been before now resorted to for the purpose of obtaining additional revenue. But the objections to this tax have long been recognised. It is in the nature of a poll-tax, which falls on all classes, but presses most heavily on the very poor. It is true that the price of salt has been reduced in recent years, but the tax is now about 600 per cent *ad valorem*, and any increase would chiefly affect those who have suffered rather than benefited by the fall in exchange. It has been strongly pressed upon us, too, that it is the main reserve of taxation in case of war or any other emergency, and that it ought not to be exhausted in order to meet the present difficulty. Even an addition of 20 per cent to the existing tax would not yield more than from Rx. 1,500,000 to Rx. 1,750,000.

Salt tax.

37. An addition to the stamp duties is deprecated on the ground that they are largely a tax on the administration of justice, and that it would not be right materially to augment taxation of this description.

Stamp duties.

38. Doubts are entertained, and probably with reason, whether it would be possible to raise a largely increased revenue by means of excise. It is said that it would stimulate illicit practices, and any attempt to augment the excise revenue would be attacked, as calculated to increase drinking and to promote intemperance.

Excise.

39. Of all the suggested methods of adding to the revenue, the reimposition of import duties would, according to the evidence before us, excite the least opposition; indeed, it is said that it would even be popular. The duties on cotton goods have, however, only recently been abolished. They were the subject of vehement attack in this country. Any attempt to reimpose them would meet with great opposition. And it cannot be denied that the reimposition of such duties would provoke a demand for a countervailing excise upon all cotton goods manufactured in India. Although such an excise duty might be collected without serious difficulty in respect of goods manufactured in the cotton mills of Bombay and elsewhere, it is alleged that it would be wholly impracticable to enforce it generally in view of the extent to which the manufacture of cotton goods on a small scale prevails throughout India.

Import duties.

40. The arguments urged against the reimposition of export duties are strong and sound in principle. The only duty of that description now in force is imposed on the export of rice. Any increase of it is said to be impracticable in view of the competition of other countries; the desire of the Government of India to abolish it has been often expressed; and it is even doubtful whether the existing duty can be maintained.

Export duties.

41. If the income tax were raised to twice its present rate, it would probably produce about Rx. 1,500,000 more than it now does. The minimum income liable to the tax is Rs. 500. An increase in the rate would produce very great discontent amongst those who are capable of appreciating and criticising the actions of the Government, and of promoting agitation when they are prejudicially affected. It must be borne in mind, too, that the class which suffers most from the fall in exchange would be most affected by an increased income tax.

Income tax.

42. We have passed in review the means of taxation which have been, or are now, in use in India. It remains to consider the new sources of taxation which have been suggested. The only articles so largely consumed that taxation of them would afford the prospect of any great augmentation of the revenue are tobacco and sugar. These are grown very generally throughout India in small quantities. To procure a revenue from them by means of taxation would involve constant and vexatious interference with the people, and the cost of collecting and enforcing the tax would be enormous in proportion to the sum realised. Those who have given evidence on this subject, and who entertain the gravest objections to an increase of the salt tax, are nevertheless of opinion that with all its evils this would be preferable to an attempt to raise a revenue by a taxation of sugar or tobacco.

New taxes.

Sugar and tobacco.

43. Although it is recognised that there is much to be said in principle in favour of imposing a succession duty, the difficulties connected with its imposition are enhanced in India by the many different laws which regulate succession, and by the extent to which the family system affects the distribution of property in case of death. This has hitherto stood in the way of its introduction, and it would take a long time to develop any practical scheme; moreover, whether it would be found possible to add largely to the revenue by means of it must be matter of speculation. For these reasons it could not be adopted in order to meet the present emergency.

Succession duty.

Conclusions as to increase of taxation.

44. We are not in a position to determine whether the apprehensions expressed to us that increased taxation cannot be resorted to without grave mischief are to the full extent well founded, or whether they are exaggerated. But it is not easy to see how the burden of the added taxation which would be requisite to counterbalance the fall in exchange could be made to rest on those who might with the most justice be subjected to it, or how the added revenue could be provided except in a manner opposed to sound principles of taxation. Even if it be thought that the political dangers anticipated are the offspring of somewhat exaggerated fears, it is at least possible that they may be under-estimated. Representations that a great increase of taxation was due to what has been erroneously called the "tribute" paid to this country would add sensibly to the danger, and afford an inviting them for agitators. It is of importance to recognise the fact that the public revenues of India, as of most Asiatic countries, largely consist of elements of income which have not the character of taxation as that term is used in Western Europe, and that it has been through the natural growth of these revenues that the increased expenditure of recent years has been met to a considerable extent.

Possibility of reducing Expenditure.

Possibility of reducing expenditure.

45. We have in the foregoing paragraphs indicated the results of the evidence which has been placed before us upon the question whether the deficiency caused by exchange may be met by increase of taxation. There is, as has been already pointed out, another way in which a deficiency may be met, *viz.*, by reduction of expenditure. We are quite alive to the importance of this resource, and to the expediency of urging economy in every practicable way, more especially as there is no such pressure brought to bear on the Government of India as that to which the Chancellor of the Exchequer in this country is subjected by the representatives of the taxpayers. But, difficult as it is for us to form an opinion on the possibility of raising additional revenue, it is still more difficult to estimate the possibility of reducing expenditure. In order to do so, it would be necessary to enter upon an examination of the policy and action of the Government of India both in military and civil matters, a task which is beyond our province. Experience, however, shows as regards military expenditure that it is at all times difficult to resist its growth, and that occasionally the circumstances which call for it are beyond the control of any Government; while, as regards civil expenditure, advancing civilisation brings with it constantly increasing demands for Government action and enterprise—demands which are not the less urgent when, as is the case in India, they must originate with the Government rather than, as in Europe, with the people. Although, therefore, we feel strongly the necessity for the utmost care in restricting expenditure, we are certainly not in a position to conclude that any economies are possible which would enable the Indian Government to meet successfully the great and growing deficit caused by falling exchange.

Possibility of reducing deficit by charging more expenditure to capital.

46. It has been suggested that the Government of India might with propriety charge more of its public works expenditure to capital, and thereby reduce the deficit shown in the Revenue Account. On this point we can only say that the Government of India have for a long time acted on the sound principle of charging to capital only such outlay as is incurred for productive works, and that a policy of allowing unproductive expenditure to be so charged is obviously open to serious question.

Proposals of the Government of India.

Proposals of the Government of India. Despatch of 21st June 1892.

47. We have said enough to show that the situation is a very critical one, and the proposals of the Government of India are entitled to the most careful and anxious consideration. We proceed to state the nature of those proposals. In a despatch of the 21st of June 1892, the Government of India expressed their deliberate opinion that if it became clear that the Brussels Conference was unlikely to arrive at a satisfactory conclusion, and if a direct agreement between India and the United States were found to be unattainable,

the Government of India should at once close their mints to the free coinage of silver, and make arrangements for the introduction of a gold standard. The Government forwarded as an enclosure in this despatch a Minute by Sir David Barbour, the Financial Member of Council, giving an outline of the method he proposed for the introduction of a gold standard into India, if such a measure should become necessary. The nature of the plan will appear from the following extract from that Minute:

Sir D. Barbour's Minute.

"6. The only measures for the introduction of a gold standard into India which seem to me feasible are the following:

"(1) The first measure would be the stoppage of the free coinage of silver. Government would retain the right of purchasing silver and coining it into rupees.

"(2) The next measure would be to open the mints to the free coinage of gold. Any man bringing gold to the mints would be entitled to have it coined into gold coins, which would be legal tender to any amount. It would be desirable to stop the free coinage of silver some time before opening the mints to the free coinage of gold. It would be a valuable guide to us in subsequent proceedings to know exactly what effect the stoppage of the free coinage of silver had on the gold value of the rupee.

"The new gold coins might be a 10-rupee piece and a 20-rupee piece.

"7. The weight and fineness of the gold coins to be issued from the mint would be such that the par of exchange between them and the sovereign would be the exchange which it was desired to establish between India and England.

"For example, if we wished the rupee to be worth 1*s.* 4*d.*, the 10-rupee coin would contain as much gold as was worth (1*s.* 4*d.*) × 10 = 160 pence. The quantity of fine gold in the 10-rupee piece would be $\frac{160}{240}$ths, or two-thirds of the quantity contained in the sovereign.

"8. The question of the ratio at which we should exchange from the silver to the gold standard would require careful consideration.

"We ought not to think of going back to the old ratio of 1 to 15½. Neither ought we to adopt the very lowest price to which silver may have fallen at any time, or to consider ourselves bound to accept the market ratio of the very moment at which the change was made. A ratio based on the average price of silver during a limited period before the introduction of the gold standard would probably be both the safest and the most equitable."

48. In a telegram of the 22nd of January 1893, the Government made this further statement regarding their proposals:

Telegram of 22nd January 1893.

"We propose to take power to declare by notification that English gold coinage shall be legal tender in India at a rate of not less than 13⅓ rupees for one sovereign, and we have provided for that in the draft Bill. We think that an interval of time, the length of which cannot be determined beforehand, should elapse between closure of the mints and any attempt to coin gold here. The power to admit sovereigns as legal tender might be of use as an *ad interim* measure, and need not be used except in case of necessity."

49. A copy of the draft Bill for the purpose of stopping free coinage was afterwards forwarded. It proposed to repeal the free coinage provisions of previous legislation, and to enact that the Governor General in Council might, by order notified in the *Gazette of India*, declare that any gold coins, which were for the time being a legal tender in England, should be a legal tender in India in payment or on account at such rate, not being less than 13⅓ rupees for one sovereign, *i.e.*, at the rate of 1*s.* 6*d.* per rupee, and so for any greater or smaller coin, as should be fixed in such order, and might in like manner cancel or vary such orders.

Draft Bill.

50. In the Minute of Sir David Barbour forwarded by the Government of India, to which reference has already been made, the arguments in support of the proposals are stated. He observes that, although it is proposed to stop the free coinage of silver and to establish a gold standard, it is no part of the plan to substitute gold for silver as the ordinary currency of the country. It is contemplated that in the vast majority of Indian transactions silver would still be used as the medium of exchange. He refers to the example of France and other nations as showing that it is possible to have a gold standard, though a large percentage of the circulation consists of overvalued silver coins, which are legal tender to any amount. He concedes that, in order that the gold standard may be effective, a limit must be placed on the number of such coins, and they must be convertible into gold coins, either without payment of premium or on payment of a trifling premium, whenever any person wishes

Sir D. Barbour's arguments in support of the proposals.

for gold coins in exchange for silver coins. Gold coins would only be required in exchange for silver when they were wanted for hoarding or export, or for melting down into ornaments. It is pointed out that one mode in which the scheme might be carried out would be by adopting measures for accumulating a store of gold, and, when sufficient had been obtained, opening the mints to the free coinage of gold coins, that metal being then made legal tender, and the exchangeability of silver for gold coins, according to their face value, guaranteed by means of the accumulated stock of gold. This, it is said, would be an expensive plan, and there would be a great risk of the whole stock of gold being drained away in exchange for silver rupees. Sir David Barbour, therefore, does not recommend this plan, but the measures which appear to him feasible are those described in the passage from his Minute already quoted. It is said that under the proposed scheme, if the Government treasuries were required to give gold coins for silver, whenever it was possible for them to do so, there could not be any considerable premium on gold coins so long as there were any in the public treasuries or in the Paper Currency reserve, and the gold standard would be effectively maintained. After the proposed measures had been carried out, it might happen that no gold was brought to the mints to be coined and to be put into circulation, and that the rupee fell in value below 1*s.* 4*d.*,—supposing that to have been the ratio fixed,—or it might happen that, though gold was brought to the mints for a time and the rupee was worth 1*s.* 4*d.*, yet subsequently gold ceased to be brought to the mints, gold coins ceased to be found in circulation, and the rupee fell below 1*s.* 4*d.* In either case it would be a sign that the rupee was redundant, or, in other words, that there were too many silver rupees in circulation, and consequently their value had fallen below sixteen pence each, and that the gold standard was no longer effectively maintained. The remedy in such a case, it is said, would be to contract the rupee currency, and to adopt any feasible measures for improving the general financial position of the country. Such an improvement would give increased confidence, and the reduction of the rupee currency, if carried far enough, must ultimately restore the value of that coin. The greatest danger, it is said, would arise immediately after the first introduction of the gold standard, and would be brought about by silver rupees being, as they certainly would be, returned to India from foreign countries, and by their being thrown into the active circulation from Indian hoards. It is thought, however, that the existing hoards in India would practically remain unaffected. The reduction of the rupee currency, it is said, might or might not prove a very expensive measure. It could be spread over a number of years, and, until it had been carried out to a sufficient extent, the gold standard would not be effectively maintained. Of course, while the reduction of the rupee currency was in progress, there would not be an effective gold standard; but even during that period of uncertainty it might be expected that the exchange with England would remain much steadier than it had been during the last few years.

Effect of the proposals.

Substance of the proposals.

51. We proceed now to consider the proposal of the Government of India to close the mints, in the first instance, without adopting a gold standard, but coupled with the provision that the Indian Government should have the power of declaring English gold coins to be legal tender in India at a rate to be fixed by proclamation, such that the value of the rupee so fixed shall not exceed 1*s.* 6*d.*

Effect of closing the mints on uncoined silver.

52. Let us consider what would be the immediate effect of these proposals. First, then, as to their effect on the gold value of uncoined silver, and on the future relation of uncoined silver to the coined rupee.

53. Minting of silver would for the time be at an end, and this use of or demand for uncoined silver would cease to exist. What has been the use or demand? and what would it be likely to be in the future? Some notion may be formed on this point by examining the quantity of rupees coined in the last few years and of silver deposited in the currency reserves against the issue of notes.

Amount of new coinage in India in recent years.

54. The average amount of the new coinage in India has been as follows:

	Rx.
1870-71 to 1874-75 (annual average)	2,931,282
1875-76 „ 1879-80 „ „	8,493,881
1880-81 „ 1884-85 „ „	4,480,408
1885-86 „ 1889-90 „ „	8,310,788
1890-91 ... (one year)	13,163,474
1891-92 ... „ „	5,553,970
1892-93 ... „ „	12,705,210
Yearly average, 1870-71 to 1892-93	6,630,628
„ „ 1875-76 „ 1892-93	7,658,223

Silver bullion in Paper Currency reserve.

55. The annual average of silver bullion in the Paper Currency reserve has been as follows:

	Rx.
1870-71 to 1874-75 (annual average)	1,468,771
1875-76 „ 1879-80 „ „	1,319,060
1880-81 „ 1884-85 „ „	756,894
1885-86 „ 1889-90 „ „	1,019,828
1890-91 ... (one year)	747,974
On the 31st of March 1892 it was	1,775,569
The average for the 22 years being	1,152,105

Total demand of India for currency purposes.

56. Looking to these figures, it will be seen that the absorption by India of silver for currency purposes since 1875 has averaged more than Rx. 7,700,000 a year. The coinage from 1885-86 to 1892-93 was Rx. 72,976,594, making an annual average of about Rx. 9,122,000. This is equivalent to 34,200,000 ounces of silver.

Imports of silver into India.

57. The net imports of silver into India have been as follows:

	Rx.
1870-71 to 1874-75 (annual average)	3,063,082
1875-76 „ 1879-80 „ „	7,054,200
1880-81 „ 1884-85 „ „	6,080,527
1885-86 „ 1889-90 „ „	9,635,134
1890-91 ... (one year)	14,175,136
1891-92 ... „ „	9,022,184
1892-93 ... „ „	12,863,569
Yearly average, 1870-71 to 1892-93	7,183,722
„ „ 1875-76 „ 1892-93	8,328,344

So that nearly the whole of the silver imported into India has been absorbed by currency demands, or has passed through the mints.

United States currency demand.

58. The United States currency demand is 54,000,000 ounces of silver a year.

Production of silver in the world.

59. The production of silver in the world is estimated for 1892 to have been from 152,102,000 to 157,535,000 ounces.

Probable consequence of cessation of American and Indian demands.

60. The currency demands of India, therefore, have during recent years been nearly a quarter, and those of the United States rather more than a third, of the whole world's production. If, therefore, either the one or the other were to cease, there ought, according to general laws, to be a great fall in the value of silver; and, if both were to cease, the fall ought to be very great indeed until the reduction of the demand had produced a similar effect on the supply. We have already explained that this reduction

in supply might not follow for some time the diminution of demand, and the fall might be protracted for a long time.

Possible panic.

61. No safe inference, however, as to the effect of the cessation of the Indian or American demand can be founded exclusively on these figures. Apprehension of the future often operates on the minds of men, and produces an effect on the market greater than the actual circumstances of demand and supply would seem to warrant. The closing of the Indian mints would, no doubt, make it more likely that the United States would give up buying silver; and, if the apprehension of this were added to the cessation of the Indian demand, the effect might be a panic in the silver market. Eventually the price of silver would, no doubt, settle down to the new circumstances of demand and supply.

Possible rise in value of gold.

62. There is still another element to be considered. If the effect of the proposal of the Indian Government were sooner or later to cause a demand for gold in India which does not exist, it might raise the value of gold as against all other things, including silver. In other words, the gold price of silver might be still further diminished.

Effect on value of uncoined silver.

63. All the factors of the problem are so uncertain that it is impossible to predict with any confidence or in numerical terms what the effect of closing the mints would be on the value of uncoined silver. The greater the effect, the greater, of course, would be the difference in value between coined and uncoined silver in India, and the greater the dangers, whatever they may be, which might arise from that source.

Effect on value of coined rupees.

64. Next, as to the effect of simply closing the mints on the future value or gold price of the rupee. If there be already, as there is reason to suppose, a quantity of unused rupees in India, they would have to be absorbed before the closing of the mints produced an effect on the value of the rupee. In that case, there might be some time to wait before there was any increase in its value. The apprehensions of men concerning the future might cause an immediate effect of a serious character; but we cannot venture to say for what length of time this would be maintained. Neither could we trace the progress of the enhancement of the value of the rupee in respect of time or place which we should expect to follow the closing of the mints.

Effect of closing the mints, coupled with making the sovereign a legal tender at 1*s.* 6*d.* the rupee.

65. It is impossible to estimate the extent to which the rupee might be raised if the Indian mints and Indian currency were to remain closed against both precious metals. The Government of India, however, add the proposal to make English sovereigns legal tender at a ratio which is not to exceed 1*s.* 6*d.* to the rupee; and it remains to be considered what would be the effect of stopping the free coinage of silver taken in conjunction with this condition. The proposal would leave it in the discretion of the Indian Government either to fix that ratio at once or to proceed by successive stages. If the higher ratio were adopted, if the Government were not itself to add rupees to the currency, and if in consequence of the closing of the mints exchange rose rapidly to that ratio, the difficulties and evils arising from an appreciation of the currency, to which we shall have to call attention hereafter, would be so much the greater; if a lower ratio were adopted in the first instance, and if exchange were to rise more gradually, these difficulties and evils would be less; but, whichever plan were selected, the Indian Government would probably be deemed by the public to have decided that 18*d.* was to be the gold value of the rupee, which consequently would be regarded as a limit. When that limit was reached, the currency would again become automatic, since gold sovereigns could be freely exported to India to serve as currency there.

Objections to the proposals: (1) *as to their practicability.*

Practicability of maintaining the rupee at an artificial value.

66. The first objection taken to the scheme of the Indian Government is that it would not be practicable to maintain the rupee in the manner suggested on a ratio to gold much higher than that of the intrinsic value of the silver of which it consists. We have already alluded to the reliance placed by the

Government of India upon the phenomena exhibited in the currency system of France and other nations. It will be important, therefore, to direct attention to the essential features of the present Indian currency, and to consider what light is thrown upon the proposals of the Government of India by the experience derived from the currency arrangements of other countries.

Precedents.

Different Currency Systems of different Nations.

1.—United Kingdom.

67. The present Indian monetary system is substantially modelled on that of the United Kingdom, the essential features of which are—

Principles of currency of United Kingdom.

(1) The standard coin to be of one metal, gold.

(2) The mint to be open to the free coinage of this metal, so that the quantity of current coin shall be regulated automatically, and not be dependent on the action of the Government.

(3) Token coinage to be of a different metal or metals, subsidiary to the standard coin, legal tender only to a limited amount, and its face value and the price in the standard metal at which it can be obtained from the mint being greater than the market value of the metal contained in it.

It may be added that, under the Act of 1844, paper money is convertible on demand into gold, its quantity above a fixed amount varying with the quantity of gold against which it is issued.

68. Lord Liverpool and other authorities would have added that the standard metal, gold, should be the principal medium of exchange; but this is no longer the fact. Gold is the standard or measure, but for the most part not the medium itself. Though, however, in wholesale transactions, and in a great many retail purchases, gold is no longer the medium of exchange, the use of gold coins is probably greater in the United Kingdom than in most other countries.

Gold formerly considered the principal medium of exchange.

69. As regards the stocks of gold and silver (other than mere token money) in the United Kingdom and in India, such information as we have been able to obtain leads to the conclusions contained in the two following paragraphs.

70. In the United Kingdom the amount of gold and silver available for the purposes of currency is uncertain; but the Mint estimate of the gold in circulation is 91,000,000*l.*, of which the amount in banks (including that in the Issue Department of the Bank of England and in other banks against which notes are issued) is stated to be 25,000,000*l.*

Stocks of legal tender money in the United Kingdom.

There is also the fiduciary issue of notes by the Bank of England and other banks, which at the close of 1892 stood at 27,450,000*l.*

It must, however, be remembered that the gold held by the Issue Department of the Bank of England and the gold held by the Scotch and Irish Banks in respect of notes issued beyond the authorised limits cannot be looked up as an integral portion of the currency, since it cannot be used at the same time with the notes which are issued against it; but the amount is included in the sum of 21,000,000*l.* above mentioned in order to facilitate comparison with foreign countries which keep a gold reserve against their notes, though not under conditions so strict and specific as those of the English Act of 1844.

India.

71. In the Indian currency system, as established in 1835, silver takes the place which gold occupies in the English system. Cheques, bankers' money, and other credit have not in India replaced the metallic currency to the same extent as has been the case in England.

Principles of currency in India; stock of silver.

The Indian Mint is open to the free coinage of silver; the rupee and the half-rupee are the only standard coins, and are legal tender to an unlimited

amount. It is uncertain what is the stock of rupees in India, but it must be very large; Sir David Barbour says that the amount in active circulation, in which, of course, the hoards are not included, has been recently estimated at Rx. 115,000,000; and by some writers it has been placed much higher. Mr. F. C. Harrison, who has taken great pains in the investigation, puts it at Rx. 134,170,000, besides Rx. 30,000,000 of the coins of Native States.

Gold is not legal tender, and there are no current gold coins.

There is a subsidiary silver fractional coinage, which is legal tender only to the limit of one rupee.

Paper money may be issued to the amount of 8,00,00,000 rupees against securities; and beyond this only against a reserve of coin or bullion deposited. The amount of notes so issued was Rs. 26,40,18,200 on the 31st of March 1893, and the reserve was constituted as follows:—

	Rs.
Coin	17,53,85,744
Bullion	86,82,456
Securities	8,00,00,000

For the purposes of the Paper Currency India is divided into circles, at present eight in number. The notes are legal tender for five rupees and upwards within the circle for which they are issued, and are convertible at the office of issue, and (except in the case of British Burma) at the principal city of the Presidency to which the circle of issue belongs.

Other countries: principles of currency and stocks.

72. When we proceed to examine the currencies of other countries, we find that many of the conditions which have been considered essential in the English and Indian currencies are either wanting altogether or have been replaced by other conditions. The following is a short statement of the most important features in these currencies, and of the stock of gold, silver, and notes available for currency, so far as we have been able to obtain them, as they stood at the close of 1892; but we must guard ourselves against being supposed implicitly to accept all the figures:

United States.

United States.

73. The standard is gold and the mint is open to gold.

There is little gold coin in circulation, at any rate in the Eastern States, but a large reserve of gold in the banks and in the treasury—

	£
Stock in the Banks	82,250,440
„ „ Treasury	48,852,290
Silver dollars in the Treasury	70,948,080
„ „ in circulation	12,334,490

and these, or the certificates issued against them, circulate at a gold value at the old ratio of 16 to 1.

There was also in the Treasury of silver bullion an amount valued at 17,874,430*l.*, against which paper certificates are issued, which circulate at a gold value at the same ratio.

The aggregate paper currency was about 210,000,000*l.*

The silver currency and paper based on silver are accepted as legal tender to any amount, and there is no premium on the gold and gold certificates in comparison with them.

Silver maintained at ratio of 16 of 1.

74. In this case a very large amount of silver, or certificates representing such silver, has hitherto been kept in circulation at the ratio of 16 to 1. But there is considerable apprehension concerning the difficulties which may arise if the compulsory purchase of silver by the Treasury for currency purposes should continue. Under the Bland Act passed in 1878 these purchases amounted, as above stated, to about 20,600,000 ounces in the year, whilst under the Sherman Act, which was passed in 1890, these purchases have been increased to an annual amount of 54,000,000 ounces.

Canada.

Canada.

75. The standard is gold; but though there is a provision for coining gold dollars at the rate of 4·86⅔ to the British sovereign, that is, at the ratio of 16 to 1, there is no Canadian gold coin, and little or no gold coin in circulation.

Canada has no mint. Fractional silver currency is supplied from England.

The stock of gold is said to be about 2,400,000*l.*

There are about 3,700,000*l.* worth of Dominion notes of various amounts from 25 cents up to 4 dollars; and the banks may issue notes for 5 dollars or any multiple thereof to an amount not exceeding their "unimpaired paid-up capital," such notes being redeemable in specie or Dominion notes; the present issue is about 7,000,000*l.*

The Dominion notes (unless it be for small amounts) are redeemable in "coin current by law in Canada," that is, in such dollars as above mentioned. The American silver dollar circulates at par at the ratio of 16 to 1, although a Government proclamation was issued in 1870 declaring it to be legal tender up to the amount of 10 dollars, but only at 80 cents per dollar.

Silver is not convertible into gold.

Notes and silver at gold value of United States.

76. This is a very remarkable case, since without any gold currency, and without even a mint for gold, dollar notes and silver dollars circulate at the United States gold dollar value.

West Indies.

West Indies.

77. All the West India Islands and British Guiana have adopted the English currency, gold being the standard, but silver being a legal tender without limit. In practice, British gold is never seen there, but the circulating medium consists of shillings and Colonial bank notes. Except in British Honduras, no silver dollars are legal tender, but gold doubloons remain legal tender at 64 shillings (the rate fixed in 1838) throughout the West Indies.

In Jamaica and Trinidad gold doubloons and United States gold coins are not uncommonly seen; they come from the Isthmus and Venezuela, and go to New Orleans and New York in a steady current.

In the Bahamas the United States gold dollar (worth 4*s.* 1·316*d.*) is popularly over-rated at 4*s.* 2*d.*, and consequently American eagles circulate freely (or did so until notes were introduced).

British Honduras has as its standard the silver dollar of Guatemala, which is a 5-franc piece without any gold behind it.

Silver token currency at gold value.

78. This is an instance of a gold standard without gold and a silver token currency circulating to an unlimited extent at a value based on that gold standard.

Germany.

Germany.

79. Germany in adopting a gold standard in 1873 adopted most of the features of the English currency system. The mint was opened to gold, and a subsidiary silver token coinage was introduced, limited in quantity by reference to population, and legal tender only to a limited amount. The peculiarity of the case of Germany is that 20,000,000*l.* worth of old silver thalers are retained in circulation at a ratio of 15½ to 1, and are legal tender to an unlimited extent. Of the new coinage of gold, the banks hold 34,250,000*l.*, in addition to 6,000,000*l.* stored at the fortress of Spandau, while the amount in circulation is estimated to be from 65,000,000*l.* to 70,000,000*l.*

The amount of paper currency issued is 6,000,000*l.* by the Imperial Government, 53,790,000*l.* by the Reichsbank, and 8,950,000*l.* by other banks, making a total of 68,740,000*l.*

Resembles that of United Kingdom.

80. On the whole, the German system approximates more closely than any other to our own, though it is said that there are not equal facilities for obtaining gold for export.

Scandinavia.

Scandinavia.

81. The standard has been gold since 1873, and the mints appear to be open to gold, but there is little gold in circulation. Bank-notes convertible into gold are the ordinary currency.

Silver is only subsidiary token currency. The stock of gold held by the banks appears to be about 5,500,000*l.*, and of notes about 13,000,000*l.*

Latin Union.

The Latin Union.

(*a*) *France.*

France.

82. The mints are open to gold.

Silver coinage, except of subsidiary coins, has since 1878 been, and is now, prohibited under the rules of the Latin Union.

There is a large quantity of gold coin in actual circulation.

The peculiarity of the French currency is the large amount of 5-franc pieces which circulate at the old ratio of $15\frac{1}{2}$ to 1. They are legal tender to any amount, and are accepted as freely as the gold coin. They are not legally convertible into gold.

The stock of currency appears to be as follows:

	£
Gold, about	171,000,000
Silver	140,000,000
Notes	132,000,000

The notes of the Bank of France are convertible into gold or silver, at the option of the bank. The bank pays gold freely for home use; but, if gold is required in large quantities, especially for exportation, special arrangements must be made.

There is no difficulty in maintaining either the silver or the notes at their gold value.

Gold standard, with much silver circulating at gold value.

83. Here is a currency which for all practical purposes appears to be perfectly sound and satisfactory, but which differs from our own in most important particulars. It is sometimes called "étalon boiteux," or limping standard; but, inasmuch as the mint is open to gold and closed to silver, the standard is really gold, whilst a very large proportion of the currency is either inconvertible silver, or notes payable (at the option of the bank) in silver or gold, maintained without difficulty at the above-mentioned artificial ratio.

(*b*) *Belgium.*

Belgium.

84. The mint is open to gold.

The rules as to 5-franc pieces as to the ratio between gold and silver and as to legal tender are the same as in France.

The stock of currency appears to be as follows:

	£
Gold, about	5,000,000 or more.
Silver, 5-franc	8,000,000
Notes	15,000,000

The notes appear to be convertible into either gold or silver, at the option of the bank.

85. The situation is the same as in France; but inconvenience might be experienced if the Latin Union were to be terminated, and the several members were obliged, under the conditions imposed by that Union, to liquidate in gold their silver currency held by France.

(*c*) *Italy.*

Italy.

86. The mint is open to gold.

The rules as to 5-franc pieces as to the ratio between gold and silver and as to legal tender are the same as in France.

The stock of currency appears to be—

	£
Gold	23,600,000
Silver, 5-franc pieces	4,000,000
Notes	57,000,000

There is very little metallic coin in actual circulation; the paper is at a discount, and the exchange below par.

87. The state of this currency is unsatisfactory—not, however, on account of the artificial ratio between gold and silver, but on account of the want of both metals—owing probably to the state of the finances and credit of the country. The same difficulty would arise as in Belgium if the Latin Union were terminated.

Holland and the Dutch East Indies.

88. From 1847 to 1873 Holland and its dependencies had the single silver standard. In consequence of the changes in Germany and other countries in the north of Europe, which adopted the gold standard in 1873, Holland suspended the coinage of silver in that year. Silver could no longer be brought to the Dutch mint, and gold coin could not be issued, because the Dutch Parliament had not agreed on a gold coin or a gold standard. There was a certain quantity of silver coins in circulation, and their value at this period was regulated neither by the market value of gold nor by that of silver. The demand for coin was increasing in the years 1873 to 1875; and the result was that, whilst the value of silver as a metal was going down in the market, Dutch silver coins were appreciated as against gold. The rate of exchange on London, which oscillates now on the gold basis between 12·1 and 12·3 florins to the £ sterling, shrank to 11·12 florins.

Holland and the Dutch East Indies: History of adoption of gold standard.

In 1875 the gold standard was adopted at a ratio of 15$\frac{5}{8}$ths to 1, and the Dutch mint was opened to gold; whilst the coinage of silver, except of subsidiary token coins, was prohibited, and remains so at the present time. A considerable quantity of gold coin was minted, which was, however, kept in reserve, and not used for internal circulation. Silver florins at the gold value were legal tender to any amount; and, with paper florin notes, which were also at a gold value, formed the internal circulation of the country. Neither silver nor paper is convertible into gold; but the Netherlands Bank has always been willing to give gold for exportation. In 1881 and 1882 the balance of trade turned against Holland, and the stock of gold ran down to about 600,000*l*. Under these circumstances, an Act was passed in April 1884, which enabled the Government to authorise the bank to sell at market prices a quantity of 25,000,000 silver florins whenever the state of the currency might demand it. This Act has never been brought into operation, but it has restored confidence; the necessary stock of gold, amounting now to upwards of 5,000,000*l*., has been maintained; the Bank gives gold freely for export; and the exchange has continued steady at from 12·1 to 12·3 florins to the £ sterling. No difficulty has been experienced either in Holland or in her Eastern dependencies. The system of currency has always been, and still is, the same in both. There is no mint and little or no stock of gold in Java; and at the same time the rate of exchange between Java and Europe is always at or about par. It should be added that Java merchants can always do their business with gold countries through Holland.

The stock of currency is as follows:

	In Holland.	In Java.
	£	£
Gold, about	5,200,000	500,000
Silver	11,000,000	2,773,000
Paper	16,000,000	4,250,000

Gold standard, with silver and paper currency.

89. This is a case in which the standard is gold, with little or no gold in circulation. The silver is kept at an artificial ratio much higher than its market value, although neither it nor the paper is convertible into gold except for purposes of export. This artificial exchange is maintained in the Dutch East Indies, where there is little or no gold, as well as in Holland, where there is a limited stock.

Austria-Hungary.

Austria-Hungary: History of adoption of gold standard.

90. Before 1879 the standard coin was the florin, which was equal to $\frac{1}{45}$th part of a pound of fine silver. The mint was open to silver, and silver florins and silver florin notes were legal tender to an unlimited amount. The actual circulation consisted of florin notes, which were inconvertible; their amount was 52,500,000*l.* in 1879 and 69,500,000*l.* at the beginning of 1892. The average exchange on London for 10*l.* sterling was 141·78 in 1861* after the Italian war. It became 109 in 1865, but rose to 125·98 in 1867 after the Austro-Prussian war. It fell to 110·53 in 1872, continued at 111 till 1875, but rose to 122·25 in 1877, 117·89 in 1878, and 116·63 in 1879. It seems that in the earlier years there had been a premium on silver, the paper money being depreciated below its face value, so that no silver was brought to be coined. But silver fell in price from 59¼*d.* per oz. in 1873 to 51¼*d.* per oz. in 1879; the notes ceased to be depreciated; and as the Austrian mint was open to silver, it became worth while to bring silver to the mint to be coined; so that, between August 1878 and November 1879, the silver circulation had increased by 7,000,000*l.* Under these circumstances, the Austro-Hungarian Government in March 1879 stopped the coinage of silver on private account, but continued coining it at their own discretion. The quantity so coined between 1880 and 1891 appears to have amounted to 125½ millions of florins. This state of things continued till 1891, when the Austro-Hungarian Government determined to propose the adoption of a gold standard and to open the mint to gold, for which the necessary measures were passed by the Austrian and Hungarian Legislatures in August 1892. From 1879, when the mints were closed against the private coinage of silver, the average exchange for 10*l.* sterling rose from 117·83 florins in 1880 and 1881 to 126·61 florins in 1887, and then fell to 116·80 in 1891 and 119·29 in 1892. The whole oscillation between 1879, when the mints were closed, down to 1891, when the resolution to adopt a gold standard was taken, was less than 9 per cent, and at the end of the period it stood at nearly the same figure as at the beginning, though in the meantime the price of silver had fallen by nearly 12 per cent, and in 1891 it was more than 6*d.* per oz. lower than in 1879. The basis for conversion to a gold standard, which appears to have been founded on an average of this exchange, is a ratio of 18·22 silver to 1 gold, or 1 gold florin = 2 francs 10 centimes, making 120·1 florins equal to 10*l.* The mint is now open to gold.

Year.	Annual average of exchange on London in Vienna.	Average price of Bar Silver per ounce in London. (Pixley & Abell.)
		d.
1873 ...	110·89	59¼
1874 ...	110·91	58 5/16
1875 ...	111·78	56⅞
1876 ...	121·32	52⅜
1877 ...	122·17	54 3/16
1878 ...	118·99	52 9/16
1879 ...	117·30	51¼
1880 ...	117·83	52¼
1881 ...	117·83	51 1/16
1882 ...	119·60	51⅛
1883 ...	120·00	50 9/16
1884 ...	121·89	50⅛
1885 ...	124·92	48⅝
1886 ...	126·01	45⅜
1887 ...	126·61	44⅝
1888 ...	124·22	42⅞
1889 ...	119·55	42 1/16
1890 ...	116·05	47 1/16
1891 ...	116·80	45 1/16
1892 ...	119·29	39 3/16

* Table given by M. Soetbeer (*see* Appendix to Gold and Silver Commission's Report, page 209), which differs slightly from the figures of exchange on London given in the margin, which have been furnished by the Anglo-Austrian Bank.

The Austrian Government have now at their command a reserve of about 351,000,000 florins (or nearly 30,000,000*l.*) in gold, and it appears to be intended that a certain quantity of paper and of silver florins shall be withdrawn from circulation, and that the paper florins remaining in circulation shall be convertible into gold.

Parity of exchange maintained by closing mints.

91. This is a very remarkable case. The fall in exchange, which would have accompanied or followed the fall in the market value of silver, has been averted by closing the mints against free coinage of silver. Fair steadiness of exchange has been maintained for more than a decade, although the paper currency was inconvertible, and silver was coined on Government account alone; and in the end a law has been passed for the adoption of a gold standard, a gold reserve has been accumulated, and the mint has been opened to gold.

A fractional subsidiary coinage of silver is provided for, but the currency will probably consist in the main of paper notes convertible into gold.

Brazil.

Brazil.

Parity of forced paper currency maintained.

92. The case of Brazil is perhaps the most remarkable of all, as showing that a paper currency without a metallic basis may, if the credit of the country is good, be maintained at a high and fairly steady exchange, although it is absolutely inconvertible and has been increased by the act of the Government out of all proportion to the growth of the population and of its foreign trade. The case, it need hardly be said, is not quoted as a precedent which it is desirable to follow.

The Brazilian standard coin is the milreis, the par gold value of which is 27*d.* A certain number were coined, but have long since left the country, and the currency is and has since 1864 been inconvertible paper. The inconvertible paper was more than doubled between 1865 and 1888, but the exchange was about the same at the two periods, and very little below the par of 27*d.* It had gone down to 14*d.* in 1868, the date of the war with Paraguay, but had risen again, and was in 1875 as high as 28$\frac{3}{8}$*d.* In 1869, when the quantity of paper money was increased from 12,468,000*l.* to 18,322,000*l.*, the mean rates of exchange showed an advance of about 11$\frac{3}{4}$ per cent. Since the revolution which displaced the Empire and established the Republic, the paper issues of the banks were increased by more than 30,000,000*l.* in less than three years, so that the paper issue in 1892 amounted to 51,372,700*l.*; and as the result of this, and of diminished credit, the exchange in that year ranged from 10$\frac{1}{4}$*d.* to 15$\frac{3}{4}$*d.*

Results of Examination of different systems of currency.

Parity of exchange maintained under various circumstances.

93. It is impossible thus to review foreign systems of currency without feeling that, however admirable may be the precautions of our own currency system, other nations have adopted different systems which appear to have worked without difficulty, and have enabled them to maintain for their respective currencies a gold standard and a substantial parity of exchange with the gold-using countries of the world, which has unfortunately not been the case with India. This has been effected under all the following conditions, *viz.*,—

(*a*) with little or no gold coin, as in Scandinavia, Holland, and Canada;

(*b*) without a mint or gold coinage, as in Canada and the Dutch East Indies;

(*c*) with a circulation consisting partly of gold, partly of overvalued and inconvertible silver, which is legal tender to an unlimited amount, as in France and other countries of the Latin Union, in the United States, and also in Germany, though there the proportion of overvalued silver is more limited, the mints in all these countries being freely open to gold, but not to silver, and in some of them the silver coinage having ceased;

(*d*) with a system under which the banks part with gold freely for export, as in Holland, or refuse it for export, as in France;

(*e*) with mints closed against private coinage of both silver and gold, and with a currency of inconvertible paper, as has been temporarily the case in Austria;

(*f*) with a circulation based on gold, but consisting of token silver, which, however, is legal tender to an unlimited extent, as in the West Indies.

The case of Holland and Java is very remarkable, since in that case the gold standard has been maintained without difficulty in both countries, although there is no mint in the Dutch East Indies, no stock of gold there, and a moderate stock of gold in Holland; whilst the currency consists of silver and paper legally and practically inconvertible into gold, except for purposes of export. The case of Canada, which maintains a gold standard without a gold coinage, is also very remarkable.

94. The case of Austria-Hungary is also interesting, and presents a remarkable contrast to that of India, as will be seen from the following table:

Austria-Hungary compared with India.

Years.	Average value of Florin deduced from the Table of Exchange on London in Vienna given at paragraph 88.	Average value of Rupee in London for Bills on India (for official years 1873-74, &c.)	Comparison of the two tables, taking the first year as equal to 100.	
	d.	*d.*	Austrian Florin.	Indian Rupee.
1873	21·64	22·35	100	100
1874	21·64	22·16	100	99·13
1875	21·47	21·63	99·21	96·76
1876	19·78	20·51	91·40	91·75
1877	19·64	20·79	90·76	93·02
1878	20·17	19·79	93·21	88·56
1879	20·46	19·96	94·55	89·31
1880	20·37	19·96	94·13	89·28
1881	20·37	19·89	94·13	89·01
1882	20·07	19·52	92·74	87·36
1883	20·00	19·54	92·42	87·41
1884	19·69	19·31	90·99	86·39
1885	19·21	18·25	88·77	81·67
1886	19·05	17·44	88·03	78·03
1887	18·96	16·90	87·62	75·60
1888	19·32	16·38	89·28	73·28
1889	20·08	16·57	92·79	74·12
1890	20·68	18·09	95·56	80·93
1891	20·55	16·73	94·96	74·86
1892	20·12	14·98	92·98	67·04

It will be seen that a country with a silver standard, and a currency consisting partly of overvalued silver, but chiefly of inconvertible paper, has been able by closing its mints against private coinage for a series of years, and, whilst still continuing to coin silver on Government account, to maintain a fairly steady rate of exchange with gold-using countries for a considerable period preparatory to adopting a gold standard.

95. Concerning the currency of Russia, we have less information than in the case of other countries. But it appears that there is little or no silver or gold coin in the country, and that the currency consists of inconvertible paper roubles based on silver. The Russian mint is now closed against the coinage of silver on private account. It is an interesting fact that the paper rouble, being in form a promise to pay silver, is now, owing to the fall in silver, exchanged for a higher value in gold than the silver which it promises to pay. Taking silver at 38*d.* per ounce, the silver rouble would be worth 23·774 pence, whilst the paper rouble is quoted at 25 pence. We have already called attention to a similar experience in the case of Austria-Hungary. The phenomenon can, of course, only arise when the amount of the paper currency is limited.

Russia.

96. It would thus appear that it has been found possible to introduce a gold standard without a gold circulation, without a large stock of good currency, and even without legal convertibility of an existing silver currency into gold. Before concluding, however, that these precedents are directly applicable to the condition of things existing in India, it is necessary to examine them carefully. There is no one of the countries above referred to in which silver has been so largely and so exclusively used as in India during the last half-century; and in most of them the people have been for long accustomed to deal with their silver coins on the basis of a double standard. To the Frenchman 5-franc pieces, to the American dollars, have for generations been not only so much silver, but the equivalent of a certain quantity of gold; and it would have been a shock to his habits and mode of thinking to treat them otherwise. It may be easier to maintain an old and well-known silver currency at a gold value in countries which have been bimetallic, and in which large quantities of gold and silver are already in circulation, than to introduce such a system into a monometallic silver country such as India. The case of Austria-Hungary again differs from that of India in some important particulars. In Austria-Hungary the standard was silver with an inconvertible paper currency; and the state of this paper currency was probably one of the chief factors which made a fundamental change necessary. In making the change the relation of Austria-Hungary to the neighbouring countries was, no doubt, an important consideration, and the fact that Germany and other States had adopted a gold standard rendered it expedient to take a similar course.

Result of the above precedents.

United States.
France.

Austria-Hungary.

97. Even in the case of Holland and its East Indian Colonies, which is *primâ facie* very much in point, there are differences which detract from its value as a precedent for India. At the time the change of standard was adopted, the relative values of silver and gold had not parted as they have since done; and, as regards Java, it must be borne in mind that, although it is an Eastern country dealing largely with silver-using countries, it has always had the same standard and the same currency as Holland, the change being made in the standard of both at the same time.

Holland and her dependencies.

98. On the whole, it seems to us that, whilst the differences we have pointed out prevent the cases of the countries referred to from being applicable in all respects as precedents to the case of India, and the circumstances of each particular country must be studied, yet the experience derived from the currencies of those countries is not without value as bearing on the questions which we have to consider, and is important as showing under what various conditions the exchange value of a currency may be maintained.

General conclusion.

Use of Precious Metals as Currency in India.

99. It has been objected that the natives of India are accustomed to silver; that the transactions are small in amount, so that silver is better suited to their use than gold; and that they will not willingly give up the rupee. The answer to this is that it is not proposed to substitute the gold sovereign for the rupee as currency in ordinary use; and that the case would in this respect resemble that of many of the countries above referred to, where the standard is gold, but the ordinary currency is silver or paper.

Question as to difficulty of getting the people of India to adopt gold.

100. Moreover, gold has never been entirely out of use in India. It is true that in India silver has for the last 30 or 40 years been more exclusively used than in many of the countries referred to. But, though gold coins have not been in use as legal tender, and no fixed ratio has been established between gold and silver coins, there is no part of India in which gold coins are not well known and procurable, and recognised as a form of money, the value of the chief gold coins being regularly entered in the "Prices current." Until 1835 or thereabouts gold coins constituted a recognised part of the Indian currency,

Use of gold in India.

and they were received by the Government in payment of its demands till December 1852; and as late as 1854-55 gold coin to the value of 412,000*l.* was sent by the Government from India to London. The value of the gold imported into India in the eight years from 1862-63 to 1869-70 was no less than 50,000,000*l.*

101. Sir Charles Trevelyan, writing in 1864 in support of a proposal to make sovereigns legal tender in India, referred to the large importation of gold since 1860 as indicating "the determination of the people to have gold," and added that it "shows that the Government would be cordially seconded by "them in any attempt to introduce a gold currency on a sound footing." The Secretary of State, Sir Charles Wood, when replying in the same year, wrote: "It is obvious from the information collected by Sir Charles Trevelyan "that there is a very general desire for the introduction of gold coins in "India," and "that the people, even in the upper and remote parts of India, "are well acquainted with the sovereign." There is little question but that these observations are as applicable at the present time as when originally made.

102. The introduction of gold coins on an important scale would necessarily take place through the banks; and the complete success of the paper currency, as to the acceptance of which by the people of India there had been on the part of many persons serious doubts, shows that there need be no hesitation as to the introduction of a gold legal tender coinage on the ground of its novelty.

103. It may be added that the value of the net imports of gold into India since 1880 has amounted to more than Rx. 44,000,000; and it might be expected that much of the uncoined gold now in India, which must be very considerable, would be brought to the mints if a gold coinage were introduced on a proper basis.

Objections to the proposals: (2) *on the ground of inexpediency.*

Objections to the proposals on the ground of inexpediency.

104. So far we have been considering whether the proposals of the Government of India are practicable. We turn now to consider the objections taken to those proposals, even assuming that they would be effectual to maintain a stable exchange. Some of these objections are equally applicable, whether the exchange is or is not materially raised above its present level. Others are only of force on the assumption that exchange is to be so raised. We will deal first with those which are directed against the scheme generally on the assumption that the rate of exchange is not to be raised, but that a continued fall in the value of silver is likely to create a considerable divergence between the exchange value of the rupee and that of the silver of which it consists.

Objections—(a) Supposing the ratio not to be raised and silver to fall.

Spurious coinage.

105. It is anticipated by some that a serious amount of spurious coinage would result. If spurious coins to a large amount could be put in circulation, the transaction would no doubt be a profitable one; but in countries where silver coins having an intrinsic value much below their nominal value are in circulation, spurious coinage would be an extremely profitable enterprise, and experience shows that the apprehended danger has not been realised in these countries. Against this, however, it is maintained by some persons that this affords no guide as to what would be likely to happen in India, the natives of which country might, in their opinion, be expected to display great skill in the manufacture of spurious coins, while the people who receive them are guided more by the weight of metal in the coin than by its appearance. It is difficult to estimate with precision the real extent of the alleged danger, but when it is borne in mind that, in order to carry out operations on an extended scale, expensive and specially constructed machinery would be requisite, we doubt whether the danger of India being flooded with a large amount of spurious coin would really be a grave one.

Effect on hoards of silver.

106. The effect that on the assumption with which we are now dealing the closing of the mints would have upon the hoards of natives of India and upon their silver ornaments is more free from doubt. Coined rupees, of which it is said that the hoards chiefly consist, would be unaffected, except in so far as any further fall in their gold value would be prevented; but the uncoined silver and silver ornaments would cease to be convertible into rupees, and would certainly be depreciated in value. In times of scarcity and famine a considerable quantity of silver ornaments has found its way to the mints. During the period of the great famine in 1877 and the following years, for example, large quantities of such ornaments were minted. In three years no less than Rx. 4,500,000 were thus turned into money. It is said, however, that the transaction of converting silver ornaments or hoarded silver into money is not at the present time effected by the owner himself taking them or sending them to the mints for conversion into rupees: it is through the intervention of the village money-lender that the transaction is carried out. Uncoined silver would, it is asserted, still be converted into money in the same fashion. This is, no doubt, true, but it is obvious that the ornaments would not be converted on terms as favourable to the seller. It cannot, we think, be doubted that the closing of the mints would in this case depreciate the silver ornaments and the uncoined silver hoarded by the people of India. Such a use of ornaments is, however, said to be rare.

Existing losses would be stereotyped.

107. A further objection is to the effect that the proposal of the Government of India would perpetuate the burden hitherto experienced by India owing to the fall of exchange, and that it would be unfair to stereotype the loss of persons entitled to be paid in rupees, and to deprive them by the act of the Government of the chance of a rise. To this it may be answered that having regard to the future prospects of the silver market, so far as they can be gauged at the present time, all persons concerned would probably be glad to lose their chance of a future rise on the terms of being secured against the effects of a fall.

Inconvertible token currency would be created with a gold standard, but without a gold currency.

108. Another objection is that the proposal of the Indian Government will, if there should in future be a divergence between the value of the rupee and the market price of silver, have the effect of converting the whole of the currency of India into a token currency, which would in no way differ in principle from an inconvertible paper currency. It must, however, be remembered that, although a nation possessed of a fairly satisfactory monetary system might well hesitate to exchange it even temporarily for an inconvertible currency, yet India already labours under difficulties the gravity of which is admitted. One of the greatest risks connected with an inconvertible paper currency is the temptation which it affords to the Government unduly to expand the amount in circulation; the proposal of the Indian Government, however, does not involve this danger. It is to be observed, too, that in the United States, in Germany, in the Latin Union, and in Holland a very large amount of silver coins has, with mints closed against the free coinage of silver, been maintained as full legal tender at a gold value far exceeding that of the silver they contain; whilst in Austria-Hungary during the recent fall in silver a forced paper currency, founded originally on that metal, has in exchange more nearly corresponded with the original gold value of the silver on which it was based than has the silver itself.

Currency would not be automatic.

109. Again, strong objections are urged to the power being placed in the hands of the Government to close the mints to the public, while retaining to itself the power to coin rupees, and thus to its being enabled at will to contract or expand the currency. But the assumption we are now making is that the exchange is not to be materially raised above its present level. If the rise were checked by the reception of gold, as suggested by the Government of India, the discretionary power vested in that Government would be confined within very narrow limits, because, if the rupee were to rise above the fixed ratio to such an extent as to cover the expenses of transmission and of coinage, it would become profitable to take gold to the Indian mint or to

send sovereigns to India, and thus the currency would be rendered automatic on a gold basis.

Burden of taxation would be increased.

110. It is further objected to the proposals of the Indian Government that they would make the value of the rupee greater than it otherwise would be, and that thereby the burden of Indian taxation would be increased. That part of the revenue which consists of fixed payments would remain unaltered in nominal value, whilst each rupee which the ryot pays would be worth more, and the rupee prices of the goods he produces would be less, than they would be if silver continued to fall. The argument is no doubt sound; but there are answers to this objection which have no little weight.

Present prices would not be altered.

111. Whether silver is falling or gold rising in value, or both movements are taking place, and whether an appreciating or a depreciating standard is the less open to objection, are questions of great difficulty. We are dealing with, the assumption that the present ratio, or some ratio differing but little from it, is maintained. On the assumption the present level of rupee prices would not be at once altered; and if in future rupee prices became less and the burden of existing fixed taxation became heavier than they would have been if a silver standard had been maintained, this result would not be arbitrarily produced by the action of the Government, but would be due to the fact that the new standard was depreciating less or appreciating more than that for which it was substituted.

Alternative of increased taxation a still more formidable difficulty.

112. In the next place, it must be borne in mind that the alteration in the relative values of gold and silver has so increased the liabilities of the Indian Government in comparison with its revenues as to make it necessary, in the absence of other remedies, to impose fresh taxation. The evidence we have had from men whose experience qualifies them to judge points distinctly to the conclusion that, supposing the choice to be between an indirect increase of taxation arising from arrest of the fall in the value of the rupee, or even from a considerable increase in its value on the one hand, and the imposition of new taxation on the other, the latter of these courses would be far more likely to lead to popular discontent and political difficulty than the former.

Trade with silver-using countries.

113. The proposal of the Government of India in so far as it rendered the exchange between India and gold-using countries stable would introduce into the trade of India with silver-using countries the same disquieting influences which, it is alleged, at present hamper the trade of India with gold-using countries. It must, however, be observed that the trade of India with silver-using countries only amounts to about half of her trade with gold-using countries.

Trade of India in competition with silver-using countries.

114. Another objection strongly urged is that if the proposal of the Government were carried out, and there should arise a great divergence between the ratio borne to gold by the rupee and by silver respectively, this would seriously affect the trade of India with silver-using countries, and stimulate in those countries the production of commodities which compete with Indian commodities in the markets of the world, and that the effect of such increased competition would be seriously felt by India.

Exports of India to silver-using countries.

115. To deal first with the point as it affects the trade between India and the silver-using countries which now take her commodities. The most important of these is China, which now takes from India a large quantity of manufactured cotton goods. China, it is said, would not give more silver for these cotton goods than it did before; but if the divergence between silver and the rupee were considerable, the same silver price would mean a lower rupee price. It is true this lower rupee price might represent a greater purchasing power than if the rupee had been allowed to fall *pari passu* with silver; but the manufacturer, it is contended, would find a difficulty in diminishing the rupee cost of production. Some of his expenses would consist of fixed payments, and the difficulty of diminishing the number of rupees paid in wages would

be considerable. In the result, the trade would be less profitable, and its volume would be diminished. The reply made to this argument is that the Indian produce imported into China is paid for ultimately by goods exported by China to other countries, and that if the gold price of these commodities does not fall owing to a fall in the gold value of silver, they would realise a higher silver price, and that China would thus be able to pay a higher price for the Indian imports. We have already given our reasons for doubting whether the fall in the gold value of silver does operate to any considerable extent in reducing the gold price of commodities exported from silver-using countries.

Manufacture in such countries of goods competing with Indian exports.

116. It is suggested further that if the fall of silver should continue to be considerable, it would afford a great inducement to promote the manufacture in China of cotton goods in substitution for those now imported from India, and stress is laid upon the fact that the production of cotton goods in Japan has already become considerable. To this it is answered that China is slow to move, and that the impediments and burdens which are imposed upon industrial enterprise in China are such as to render the fear that the suggested change in the currency system of India would greatly stimulate the production of cotton goods in China unreasonable. Fears have been also expressed lest the production of cotton goods in Japan, where there is practically a silver standard, should be further increased in consequence of the advantage which that country would gain by the fall in the value of silver as compared with India if the exchange there remained stationary. As to this argument we may refer to the remarks in paragraph 27, in which we have expressed our view that the stimulus thus caused to the export trade of a country can only be transitory, and can continue only until circumstances have brought about the inevitable adjustment. In the same paragraph we examined the trade statistics of India, and could not see any evidence that a relation existed between a fall in exchange and the volume of exports.

Opium trade with China.

117. It is, moreover, objected, and for the same reasons, that the opium trade between India and China would be seriously affected if the currency proposals of the Government came into operation, and that India must be content to receive fewer rupees for the opium exported to China. The average annual value of opium so exported is about Rx. 10,000,000, and the greater part of the decrease in its export value, supposing such decrease were realised, would fall upon the Government. It is obvious that in that event the effect upon the revenue would be very serious. In the case of opium, as well as cotton goods, it is argued that there would be a tendency to replace to some extent the use of Indian opium by opium grown in China. The same answer which has been given to this argument in relation to the trade in cotton goods is equally applicable with regard to the opium traffic. It must be remembered, too, that the production of opium in China is at the present time very large. The amount imported from India forms only a small portion of the total consumption. Indian opium is in truth a luxury; its use in preference to Chinese opium is a matter of taste, and depends upon its real or assumed superior qualities. Under these circumstances, it may be doubted whether any considerable diminution in the rupee value of opium exports to China would be likely to result from the adoption of the proposals of the Indian Government.

Competition of silver-using countries with India in other markets.

118. Those who object that the trade of India with other silver-using countries would be diminished in volume and profit by the adoption of the Government proposals lay, perhaps, even greater stress upon the advantage which a great divergence between silver and the rupee would give to those countries in their competition with India. Some of the articles exported by India are also produced in and exported from silver-using countries, and other important articles of Indian trade are, it is said, capable of being produced there—notably in China. If there came to be a great divergence between the value of silver and of the rupee, a considerably lower gold price would in China represent the same amount of silver as before, whilst to India it would give fewer rupees. The Chinese would be content to take the same amount of silver—that is to say, the same silver price—that they have hitherto done, so that the Indian

producer must rest satisfied with a lower rupee price, or perhaps be driven out of the market altogether through the stress of this competition. One reply given to this objection is that it involves the proposition that the continuous depreciation of the currency of a country in relation to that of others is advantageous to the commerce of the country whose currency is thus depreciated, and adds to its prosperity. This answer is not absolutely conclusive, because, even if it be true that the cost of production in wages and otherwise would ultimately adjust itself to the fall in the value of silver, yet it is impossible to deny that, until this adjustment has been brought about, the exporter in the silver-using country, who continues to pay the same nominal wages, and whose nominal expenditure for production otherwise remains the same, has an advantage in competition with the exporter who receives a lower price than before, and who can only retain to himself the same advantages by a reduction of nominal wages; and it must be remembered that in a country whose civilisation is backward, and whose industrial institutions are but little developed, the interval may be considerable before such an adjustment can be effected. But, allowing that the argument of those who raise the objection with which we have been dealing is not without foundation, consideration of the experience derived from a study of the history of Indian exports during the period characterised by a fall in the gold value of silver, as noticed in paragraph 27, leads us to doubt whether the suggested advantage is not much less than those who urge the argument suppose.

Tea plantations.

119. Those who are interested in the tea plantations of India, the produce of which is now exported in large quantities, maintain that their industry might be greatly crippled, if not extinguished, by the competition of China and Ceylon if a gold standard were adopted in India only, and silver continued to fall heavily. It is to be observed, however, that the transfer of the commerce in tea from China to India, which has been going on for some years, has taken place, whilst the two countries have shared alike the changes produced by the fall in the value of silver. But it is stated on behalf of the tea planters that, even though their success may be due to the Indian tea better suiting the wants of the consumers, yet the difference in the relative price in gold-using countries of Chinese and Indian tea might be such as to overbalance any advantages possessed by the Indian products, and cause the competition to be a disastrous one for the Indian producer. It must be added that the qualities of the Ceylon tea are much the same as those of Indian tea. It cannot be denied that, if the proposed currency change were adopted in India alone, its tendency might be for a time to benefit the producer in Ceylon, and perhaps the Chinese in his competition with the Indian. To what extent this tendency would prejudice the Indian producer it is impossible to forecast, and, even so far as it did so, it must be remembered that it would not necessarily entail disadvantage on the country as a whole; and having regard to the history of the Indian tea trade, and to its great progress in recent years under existing conditions, we cannot think it likely that any very serious prejudice would result.

China might produce what she now imports from India.

120. We have already referred to the argument that China might in the altered circumstances anticipated produce for her own consumption commodities which she now imports from India. It is alleged that not only would she do this, but that she would also increase her production of cotton and other articles, for which her soil and climate are said to be suitable, and send them into the market to compete with Indian products. To this it is replied, and we think with force, that the want of railways and other means of communication in China, the heavy and arbitrary imposts to which production is there subjected, and other causes, deprive these apprehensions of any very serious foundation.

Balance of trade and Council bills.

121. It is further objected that the balance of trade would be disturbed; that the export trade of India would be injured by a gold standard, and that India would thus, *pro tanto*, lose her power of paying her debts; that the Indian Government would in consequence be unable to sell their bills in London; and that they would be obliged to send silver from India at a ruinous loss to pay their gold debt.

122. This objection seems to depend on the question whether the export trade of India will be injured by the proposals of the Government of India, with which we have already dealt in paragraphs 27 and 114 to 120. As to the Council bills, it may be observed that they are only a financial mode adopted as the simplest and best by the Government of India for the purpose of paying a gold debt to England, which in any case they must pay, and which other nations owing gold debts to England pay in other modes. They are orders for the payment of rupees in India, and the same end would be attained if the Government of India bought sterling bills of the exporting merchants in India, and sent them to be cashed on its account in London. Where a country has debts to pay, it must pay them, and it will do so by means of exports, the transaction being effected in whatever methods are found to be most convenient.

Export trade.

Council bills.

123. So far as concerns their effect on the import of silver into India, the Council bills now compete with silver; the closing of the mints to silver would relieve the Council bills from this competition, and the immediate effect would be a tendency for the bills to sell at a higher price. The merchant wishing to pay for Indian goods would have to pay more gold for the Council bills. If their price should rise so far as to make the business of buying Indian goods unprofitable, it would no doubt, *pro tanto*, check the export trade of India, and the price of the bills must fall. But it would only fall so far as would be necessary in order to make the trade again profitable. In short, India must pay her debts by exports, and the Indian Government cannot in any way avoid whatever expense is necessary in order to pay them. That these exports should ever consist of silver, depreciated as silver is in the Western world, is highly improbable; but, if this should turn out to be the case, it would be because silver was the article which India could best spare.

India must pay her debts in whatever is the most convenient form.

124. Fear has been expressed that the restriction of the coinage of rupees at the British mints would lead to an increase of the use of the coins of Native States in the British provinces. There are numerous Native States in different parts of India which exercise the right of coining, a privilege of which they are most tenacious, regarding it as an indication of sovereign authority. The currencies are very various in their details, the chief silver coin being the rupee, but with many variations in intrinsic value in the different States. In 1835, when the existing system of currency was adopted, a list of the various rupees then existing included no less than 300 different coinages (many, no doubt, obsolete), for the most part showing greater or less variations of value *inter se*.

Currencies of Native States.

125. The attempt made to facilitate the adoption of a common currency throughout India by an Act passed in 1876 has had no material effect. It provided that on a Native State agreeing to abstain from coining for at least thirty years, and not to allow coins resembling those of British India to be struck under its authority, the Government of India would coin for the State rupees identical in weight and fineness with those of British India, but with a device differing from that before used by the State. Such coins would be legal tender in British India. Up to the present time only four of the minor States have availed themselves of the provisions of this Act.

126. Sufficient information on the subject of the currencies of the various States is not available to admit of our giving any precise account of them, but there is reason to think that their issues are not on a scale of any considerable magnitude. The coinage of Hyderabad, the largest of the Native States, is stated to have been in 1887-88 816 tolas of gold and 15,051 tolas of silver, and in 1888-89 784 tolas of gold and 17,76,421 tolas of silver, the tola representing the weight of a rupee; the value of the Hyderabad rupee, commonly called the Hálli Sicca rupee, is about 14 per cent less than that of the rupee of British India. The Baroda State coined 8 lakhs of rupees in 1883-84 and 9 lakhs in 1884-85, but in the three following years there was no coinage; new machinery for the mint was supplied in 1891. The Kashmir mint appears to be no longer in operation, and the States of Mysore and Rewah also are said to

have no mints. The coinages of Holkar's Government at Indore, of Bhopal, and of Travancore are reported to be very small in amount.

127. On the whole, it appears that the annual addition to the coinage of the Native States is of little importance. The coins of these States have a free circulation among the population of the border districts of those States and the British provinces, and at times are found at considerable distances from their place of origin. They are, however, always liable to a charge for discount when circulating beyond the State from which they issue, and in no case are received at British treasuries, by the railways, municipalities, or other local bodies, nor are they legal tender in British territory.

128. On this subject the Government of India, in a telegram of the 16th of March 1893, stated their opinion that they could easily overcome any difficulty that might arise in connection with rupees coined under the Native Coinage Act, 1876, before mentioned, and that they did not think that any serious difficulties could arise in connection with the coinages of Native States generally.

Ceylon and Mauritius.

129. We have had evidence from persons interested in the trade of Ceylon expressing apprehensions that if the proposed change of standard were to be made in India, and the present currency arrangements were to be continued in Ceylon, the effect would be prejudicial to the trade of that island. These apprehensions are of the same nature as those we have already examined on the part of the planters in India. It is obvious that independently of these apprehensions, both Ceylon and Mauritius, which have the rupee as their standard coin, which have no mints of their own, and which import their rupees from India, would be affected by the closing of the mints and by the adoption of a gold standard in India. It would in that event be open to the Governments of those Colonies to acquiesce in the action of India, or to establish currencies of their own, with or without local mints. If they should adopt a currency of their own, and if in India the rupee should in consequence of the proposed changes rise above its silver value, it would become profitable to export Indian rupees from those Colonies to India. Such an export would operate in the same way as a release of the hoards of coined rupees in India, and might, so far as it goes, delay the rise in the value of the rupee. But, according to the best information we can obtain, the stock is not so large as to be likely to have any considerable disturbing influence. It is no part of our duty to advise what action should be taken by the Colonial Governments, except to point out that they ought not to allow any coins which they issue to be so similar to the Indian rupee as to be mistaken for it, and thus to become current in India.

Objections (b) supposing the ratio to be raised materially above the present level.

Objections on the assumption that the ratio is raised materially above the present level.

130. We have been hitherto dealing with the proposals of the Indian Government on the assumption that exchange is at once fixed at a point not materially above its present level. The suggestion of the Government of India is that no ratio should be fixed immediately on the closing of the mints. Their proposal to take power to declare that English gold coinage shall be legal tender in India at a rate of *not less than* 13⅓ rupees to the sovereign would, if acted upon, prevent the exchange from rising to any great extent above 1*s.* 6*d.*—that is, a ratio of silver to gold a little less than 20 to 1. As the present exchange value of the rupee is 1*s.* 2¾*d.*, and the ratio of silver to gold about 24 to 1, the Indian Government, though it may be that they would act gradually and tentatively, suggest the possibility of raising the ratio materially above the present level.

131. We have now, therefore, to consider what are the objections to these proposals on the assumption that the exchange were so raised.

The same objections as if the ratio were not raised.

132. All the objections which have been urged as existing in the case of the assumption that the ratio were fixed at a point not materially above the present level are at least equally applicable in the case of that which we have now to consider; but the answers which have been given to them in the

former case are not all of equal force where the ratio has been materially raised.

Spurious coinage, trade, inconvertible currency.

133. The dangers of spurious coinage and of depreciation of Indian hoards must increase in proportion to the difference between the value of the rupee and the market value of silver; and the trade difficulties due to a rising exchange, such as they are, would, of course, be the greater the higher the ratio was taken. Moreover, the difficulty of maintaining an inconvertible token coinage as full legal tender at a par value tends to increase with the difference between the legal value of the token coin and the metal it contains; but the cases of foreign currencies quoted above show that difficulties similar to those which are apprehended in the case of India have been successfully encountered.

Objections founded on effect upon rupee prices and fixed burdens.

134. We pass to the objections founded upon the effects on rupee prices, on taxation, and on other fixed burdens. These effects would be such as result from an appreciating currency, namely, first, to make prices lower than they would otherwise have been; then, though more slowly, to lower money wages, and to increase the burden of debts and of all fixed payments. It has been urged in answer to this that, whatever these evils may be, they are not greater than those which have in recent years been experienced from a depreciating currency, namely, prices higher than they would have been but for such depreciation, and debts and other just burdens lightened, to the benefit of the persons who pay, and to the injury of those who receive, including the Government. It has also been urged that if future appreciation were due to the act of the Government, past depreciation has also been due to the adoption by the Government of an unstable and depreciating standard. But, even assuming that these answers are true in point of fact, it is no less true that, since the adoption of the silver standard in 1835, the depreciation of the silver currency has arisen from causes over which the Government have exercised no control, whereas any appreciation resulting from the raising of the rupee would be due to the direct action of the Government.

135. It is impossible in view of these considerations not to come to the conclusion that to close the mints for the purpose of raising the value of the rupee is open to much more serious objection than to do so for the purpose of preventing a further fall.

Injury to Eastern trade.

136. It has been represented to us by the China Association, the Chambers of Commerce at Hong-Kong and Singapore, and others interested in the Eastern trade that a change, such as has been proposed by the Government of India, would be likely to be prejudicial to their interests. Although some of the facts to which we have already drawn attention indicate that the apprehensions expressed are excessive, and although some of the arguments which we have adopted are not inapplicable to their case, we have not thought it within the limits of Your Lordship's reference to enter in detail upon the considerations suggested by these representations.

Alternative Schemes.

Charge on silver.

137. Amongst the suggestions made for preventing a further fall in the value of the rupee, for counteracting the effect of the fall which has already taken place, and for adding to the resources of the Government of India is a proposal to impose a charge on silver, which might take the form either of an increased seignorage on the coinage of the rupee or of a duty on all silver imported. It is claimed for this proposal that it would avoid direct and obvious interference with the standard of value, whilst it would bring in additional revenue to the Government. It is therefore desirable to examine it carefully.

Seignorage.

138. Let us first assume the charge to be a seignorage. In that case, it would be imposed only on the silver brought to be coined. It might take either of two forms, *viz.*, a fixed charge of so much per ounce, or a charge

varying inversely as the gold value of silver, so as to keep the rupee at a certain fixed ratio to gold. A fixed seignorage would be no remedy for a fluctuating exchange, because, whatever might be its present effect, it would fail to maintain a parity of exchange between the rupee and the sovereign, if silver should fall further or should rise in value; and, although it might afford some present relief, a continued fall in exchange would leave India subject to the same difficulties as before.

Fixed in amount.

139. A seignorage varying inversely with the gold value of silver is not open to the same objection. If this were adopted so as to make the gold price of a given weight of silver plus the duty always equal to a given weight of gold, it would, no doubt, tend to maintain the rupee at a fixed ratio to the sovereign. But to provide from time to time for the necessary alterations in such a varying seignorage, so as not to embarrass trade or to encourage undesirable speculation, would be an administrative function of some difficulty. An intermediate course might be taken, making the seignorage vary, not with the daily rate of exchange, but at fixed intervals, say, from year to year, so that the annual charge should vary inversely as the annual average gold value of silver for the preceding year. Though, judging by recent experience, this method would lessen considerably without, however, entirely removing the administrative difficulties above mentioned, yet towards the end of the term for which the seignorage had been fixed speculators would be encouraged either to pour silver into India or to abstain from importing it, according as they expected the seignorage to be raised or lowered.

Varying inversely as the gold price of silver.

140. The imposition of a seignorage necessarily enhances in an artificial manner the value of the rupee above the intrinsic value of the silver it contains, and tends to reduce the amount coined. Many of the objections, therefore, which have been urged to the proposals of the Government of India apply equally in principle to such a scheme. It is, in fact, an indirect method of attaining the end which the Indian Government propose to attain by closing the mints.

Indirect method of altering the standard.

141. A 10 per cent seignorage—that is, an addition of 8 per cent to the present rate,—even on the assumption that its imposition had no effect in reducing the amount coined, would only on the average coinage since 1875 produce annually about Rx. 600,000; and therefore, regarded as a mode of raising revenue, the relief afforded to the Indian Exchequer would not be sufficient to meet the difficulties which the Government have to encounter. It is impossible to anticipate that with so heavy a seignorage the amount coined would be as large as on the average of recent years; nor could any fixed amount be relied on, since it would depend on the state of the exchange, and on the quantity of silver brought to the mint. It is, in fact, open to the objection in principle which applies to many other forms of taxation imposed for purposes other than that of revenue, *viz.*, that in proportion as it effects the object of restricting the coinage of silver, it ceases to be profitable as a source of revenue.

Regarded as a mode of raising revenue.

Unsatisfactory.

142. It remains for us to consider the effect of imposing a duty on all silver imported, whether for coinage or otherwise. Such a duty would tend to restrict the supply of uncoined as well as coined silver; but, looking to the fact that nearly all the silver imported in recent years has been coined, this difference is not at the present moment of great importance. Subject to this distinction, the observations we have made on the proposals for a seignorage apply also to the proposal to levy a duty on uncoined silver, with the addition that such a tax would be difficult to enforce, and would be an encouragement to smuggling; and that, if it were made to vary constantly with the gold price of silver, the administrative difficulties would be even greater.

Duty on silver imported.

143. The coinage of a new rupee of greater weight than that at present existing has been suggested as a remedy for the difficulty. If for this purpose the plan were adopted of recoining the existing rupees, it is evident that the expense, which must be calculated on at least 1,000 to 1,500 millions of rupees, would be very heavy, even if the measure did not attract to the mints hoards in excess of the amount in circulation; and, after the recoinage had been completed, there would be no security that it would be effectual, since a further fall in the gold value of the rupee would produce difficulties of the same kind as have now arisen. If, on the other hand, in addition to the existing rupees, heavier rupees were issued, there is the objection that, for some time at any rate, two kinds of coin would be in circulation, of different intrinsic worth, yet professedly of the same value; and there does not appear to be any advantage in this plan over that proposed by the Government of India.

Coinage of heavier rupees.

144. Other plans which have been suggested are the introduction of a gold standard with a gold currency, the ratio of the gold and silver coins being notified from time to time according to the market rates of exchange; the adoption of a gold standard with a very high unit, rupees being made token coins, and currency notes of large denomination being issued for gold alone, but payable in either gold or rupees; the issue of currency notes expressed in gold, but exchangeable only into rupees at the foreign exchange rate of the day; the establishment of a gold standard without a gold coinage based on the credit of a reserve to be held by the Bank of England in India; the gradual introduction of a gold standard by placing the rupee debt on a gold basis, and providing for the discharge of debts partly in gold and partly in silver, the proportion of the former being annually increased until the whole became fixed in gold; the adoption of a given amount of gold bullion as a standard for foreign and wholesale transactions, leaving the coins to be used as tokens for internal trade; the declaration that rupees shall be a legal tender in the United Kingdom; the issue of coins of mixed gold and silver; the basing of the currency system on a certain amount of Government sterling stock; the adoption of independent standards of gold and silver to be in use at the same time.

Various schemes.

145. We deem it unnecessary to do more than indicate in the briefest manner the nature of these proposals. Some of them are not within the power of the Government of India, and others are impracticable for various reasons; while no one of them appears to be so free from objection as to justify us in advising Your Lordship to reject in its favour the proposal of the Government of India.

Possible modifications of the proposals of the Government of India.

146. Your Lordship will observe that we have given most careful and anxious consideration to the objections which have been urged against the scheme of the Government of India; we feel that some of them have weight, and we regret that, in the opinion of that Government, it should be necessary to propose a measure which would undoubtedly be attended with some risks and inconveniences. We proceed to consider whether, in case it were decided to adopt such a proposal as that made by the Government of India, it would be possible by any modifications to remove or diminish the objections to which we have referred.

Possible modifications of proposals.

147. It appears to be desirable that any such scheme should afford security against any sudden and considerable rise of exchange. If the closing of the mints were thought likely to lead to such a rise, the opposition to the measure would, no doubt, be greatly augmented. In all probability the cessation of free coinage of silver would be immediately followed by a fall in the price of that metal. If at the same time exchange rose considerably, the divergence between the rupee and its intrinsic value would become at once very marked. The difficulty of maintaining the rupee at its higher exchange value

Provision against a sudden great rise in exchange.

might be increased, and the apprehensions of disaster which are entertained, even if they be exaggerated or unreal, would be intensified.

148. Moreover, the rise in exchange would be calculated to lead to a fall in the price of Indian produce. And, if this were seen to follow, and believed to be caused by the action of the Government, public opinion might be disturbed and the situation might become critical. The view has been expressed that, even though the native producers might not be likely to be actively hostile to a scheme which left prices unaffected, they would be far from indifferent, and the state of things might become dangerous if prices began to fall very sensibly.

149. What, then, would be the effect of the scheme suggested by the Government of India? Closing the mints, even if the Government of India were to issue the proposed notification that gold coins would be made legal tender at a rate of $13\frac{1}{3}$ rupees to the sovereign, might bring about a rise in exchange to the level thus indicated, *viz.*, 1*s.* 6*d.* per rupee. It is true that those who think that exchange would not for a considerable time rise at all, and that even the existing ratio might not be maintained, may be right in their anticipations. But it must be admitted that on such a point no one can predict with certainty; exchange might rise suddenly and considerably, unless the Government were to interfere actively to prevent it; and the public would not feel any certainty as to the course they would take.

Ratio for coinage of rupees on tender of gold at the mints.

150. The scheme might, however, be so modified that the exchange could not immediately rise much above its present level. It might be provided that the mints should be closed to the public for the coinage of silver, but should be used by the Government for the coinage of rupees if required by the public in exchange for gold, at a ratio to be fixed in the first instance not much above that now prevailing, say 1*s.* 4*d.* the rupee. Any fear of a considerable rise would thus be allayed, and any evil effects of such a rise would be prevented. Moreover, even if silver fell, the divergence between the nominal and the intrinsic value of the rupee would not be so great as if exchange at the same time rose. There would be these additional advantages: First, the currency would not cease to be automatic. Next, it would be a less violent step than closing the mints altogether. They would practically remain open, subject to certain conditions. It would be the smallest departure from the *status quo* which could accomplish the object the Government of India have in view. Besides these advantages, there would be the further gain, that it would still leave the volume of the rupee coinage dependent on the wants of the people of India; and the fact that rupees might continue to be coined would tend to prevent silver falling as much as would be the case if it were supposed that the coinage of rupees was to cease altogether.

151. The Government of India have expressed the opinion that there would be no practical difficulty in carrying such a modified scheme as this into effect. It would not, of course, be essential to the plan that the ratio should never be fixed above 1*s.* 4*d.*; circumstances might arise rendering it proper, and even necessary, to raise the ratio; and the Indian Government might be empowered to alter it with the sanction of the Secretary of State. Such a scheme would, indeed, in the first instance, be tentative, and would not impede further action if circumstences should render it desirable.

Acceptance of gold coins in payment of public dues.

152. It would be consistent with the scheme, and would serve as a means of familiarizing the public with the use of a gold currency, if the Government were to accept gold coins at the same ratio in payment of all dues.

153. Inasmuch as the course to be pursued in relation to the matter referred to us will come before Her Majesty's Government for decision, the Chairman thinks it right to abstain from taking any part in determining what recommendations should be made to Your Lordship.

154. We desire to express our high appreciation of the benefit conferred upon us by the appointment of Mr. Waterfield to act as Secretary to the

Committee. His knowledge, ability, and zeal have been of the greatest assistance o us th roughout our protracted deliberations.

HERSCHELL.
LEONARD COURTNEY.
T. H. FARRER.
REGINALD E. WELBY.
ARTHUR GODLEY.
R. STRACHEY.
B. W. CURRIE.

Recommendations of the Committee.

Recommendations of the Committee.

155. It remains for us to state the conclusions at which we have arrived. While conscious of the gravity of the suggestion, we cannot, in view of the serious evils with which the Government of India may at any time be confronted if matters are left as they are, advise Your Lordship to overrule the proposals for the closing of the mints and the adoption of a gold standard, which that Government, with their responsibility and deep interest in the success of the measures suggested, have submitted to you.

156. But we consider that the following modifications of these proposals are, advisable. The closing of the mints against the free coinage of silver should be accompanied by an announcement that, though closed to the public, they will be used by Government for the coinage of rupees in exchange for gold at a ratio to be then fixed, say 1*s.* 4*d.* per rupee; and that at the Government treasuries gold will be received in satisfaction of public dues at the same ratio.

157. We do not feel ourselves able to indicate any special time or contingency when action should be taken. It has been seen that the difficulties, to be dealt with have become continually greater; that a deficit has been already created, and an increase of that deficit is threatened; that there are at the present moment peculiar grounds for apprehension; and that the apprehended dangers may become real with little notice. It may also happen that if action is delayed until these are realized, and if no step is taken by the Indian Government to anticipate them, the difficulty of acting with effect will be made greater by the delay. It is obvious that nothing should.be done prematurely or without full deliberation; but, having in view these considerations, we think that it should be in the discretion of the Government of India, with the approval of the Secretary of State in Council, to take the requisite steps if and when it appears to them and to him necessary to do so.

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T. H. FARRER.
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ARTHUR GODLEY.
R. STRACHEY.
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HENRY WATERFIELD,
Secretary.

It seems to me that our judgment of what the Home Government should do in reference to the proposals of the Government of India must depend upon the view we take of the cause of the divergence in value that has arisen between gold and silver. The Indian Government has to make large annual payments in gold, whilst its receipts are in silver. Has gold become more valuable in itself or silver less valuable in itself, or if both movements have happened, which has been relatively greater? If gold has become

more valuable, the burdens of India have become greater than was contemplated or intended, and we must ask ourselves whether they can be in any degree reduced. If silver has become less valuable, the taxation of India is made lighter, and we may freely examine the means, direct or indirect, of raising it. If an intermediate hypothesis is adopted, our way of viewing the problem must be modified accordingly. In our Report we have not examined this preliminary question, but I hold it the first to be determined. For reasons upon which I do not now enter, I have come to the conclusion that the divergence between gold and silver has been to a large extent due to an appreciation of gold; and this opinion necessarily affects my judgment of the policy of the Indian Government, which is to adopt a gold standard instead of one of silver. This is to accept as unalterable, if not to intensify, the aggravated burden thrown upon India. It may be that no other course is possible, but the Home Government should ask itself whether it is through its own action that no other course is possible, and whether the Indian Government might not propose a very different course if there was any chance of its being favourably considered by the Supreme Government. I am myself drawn to the conclusion that the Home Government is the greatest obstacle, perhaps the only substantial obstacle, to the establishment of an international agreement for the use of silver as money, which, without attempting to restore the position of twenty years since, would relieve India from the anxiety of a further depreciation of its revenue in relation to its liabilities. The problem may be thus stated:—The Indian Government asks permission to adopt a certain course, but, as is well understood, not the course it would of its own free will first desire to be adopted. In considering whether the course actually proposed should be sanctioned, we cannot refuse to consider whether there are invincible obstacles to the entertainment of the course which would be the first preference of India.

If I am to put aside the previous question, and confine myself to the proposition whether the Indian Government should be allowed to suspend the free coinage of silver, so as to enhance the value of the coined rupee till it reached a certain relation to the sovereign, such as 1 to 15 (1*s.* 4*d.*) or 1 to 13⅓ (1*s.* 6*d.*), I concur in the report of my colleagues, subject to the following reservation:—In paragraph 139 I think we have overrated the difficulty and delicacy of the administrative function involved in the plan there discussed. I believe action would be fairly simple if the plan were practically tackled. The mints of India are not so numerous as to prevent a daily telegraphic message of the seignorage to be charged, if such frequency should be deemed necessary. The embarrassment to which a person in London wishing to make a remittance in India would be exposed from his uncertainty as to what the seignorage would be when silver reached an Indian mint would be of the same character as his present embarrassment in not knowing what the exchange would be when silver reached India if he sent it out.

LEONARD COURTNEY.

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1. In the year 1878 the Government of India made a proposal that the mints should be closed against the free coinage of silver until the rupee should rise in value to 2*s.*, or one-tenth of an English sovereign. In making this proposal, and on other occasions, the Indian Government expressed themselves in very strong terms* concerning the dangers and difficulties, present and prospective, caused to India by the fall in silver. A Committee appointed by the Secretary of State, of which we were members, reported unanimously against the abovementioned proposal, and it was rejected by the Home Government.† Further experience shows that, whilst the views expressed by the Government of India concerning the future of silver have been fully justified by the fall which has since taken place, the present condition of India is scarcely such as to justify their estimate of the difficulties and dangers to the country which they believed would arise from it.

* See despatch of 9th November 1878, para. 22, and despatch of 4th September 1886, para. 24.

† See Treasury letter of 24th November 1879.

2. The following facts relating to the recent progress of India are taken from a paper read by Sir W. Hunter (one of the greatest existing authorities on the subject) at the Society of Arts on the 16th February 1892 :

" Between 1881 and 1891 the whole number of the army had been raised from 170,000 to 220,000, and the number of British soldiers in it from 60,000 to 71,000, or, including reserves, volunteers, &c., to very much more. Many large and costly defensive works had been constructed both on the North-West frontier and on the coasts. In recent years almost all public buildings have been reconstructed on a large scale.

" Railways, both military and commercial, have been very greatly extended. Notwithstanding these extraordinary expenses, there were during the 25 years which followed 1862, 14 years of surplus and 11 years of deficit, yielding a net surplus of Rx. 4,000,000. In 1889 the public debt of India, exclusive of capital invested in railways, showed a reduction since the mutiny period of Rx. 26,000,000. The rate at which India can borrow has been reduced from 4 or 5 per cent to a little over 3 per cent. The revenue of India, exclusive of railways and municipal funds, has grown between 1856-57 and 1886-87 from Rx. 33,378,000 to Rx. 62,859,000, and in 1891 it had increased to Rx. 64,000,000, or, including railways and irrigation receipts, to Rx. 85,750,000, and this increase is due to the growth of old revenue rather than to new taxation. Further, whilst the rent or land tax paid by the people has increased by one-third, the produce of their fields has more than doubled in consequence partly of higher prices, and partly of increase in cultivation. Further, in 1891 there were nearly 18,000 miles of railway open, carrying 121,000,000 of passengers and 26,000,000 tons of goods, and adding a benefit to the people of India, calculated as far back as 1886, at Rx. 60,000,000. Further, the Indian exports and imports at sea, which in 1858 were about Rx. 40,000,000, amounted in 1891 to about Rx. 200,000,000, and the produce thus exported has increased in quality and variety no less than in amount."

3. Considering facts such as these, we should even now have difficulty in recommending the closing of the Indian mints against the free coinage of silver if it were not for the circumstance that a further heavy fall in silver is possible, and in certain contingencies imminent, and that any such fall may bring with it mischiefs and difficulties much greater than any which have yet been experienced.

4. Under these circumstances, having regard to the part we have already taken in this matter, as well as to the present exigencies of the case, we are anxious to state more fully and explicitly than is done in the report we have signed what is the full effect of the immediate step which we have agreed in recommending, and what precautions are in our opinion desirable with a view to its ulterior consequences.

The step recommended is that the Indian Government should be empowered to close the Indian mints against the free coinage of silver until the rupee rises in value, so as to stand at a given ratio with the sovereign; such ratio to be little above the ratio which has been current, say 1*s.* 4*d.*, and that they should then be required to give rupees at that ratio for all gold brought to their mints. The immediate effect of this step will be to alter the Indian measure of value. As long as the Indian mint is open, the measure of value is the market value of the weight of silver contained in the rupee; but, as soon as the mint is closed, we can no longer be sure that this will be the case. Further, so soon as the rupee has risen to the given ratio, the fraction of an English gold sovereign represented by 1*s.* 4*d.* will become the measure of value. This is in itself a most important change.

5. To alter the measure of value by substituting one metal for another is at all times a matter of great gravity, and to do so at a time when the relations between the two metals are in a state of constant fluctuation renders the alteration still more serious.

6. It is, however, to be observed that the step which we recommend will produce the least possible immediate change. Its object is not so much to raise the gold value of the rupee as to prevent a further fall. It does not materially alter the present relations between debtor and creditor, but, on the contrary,

prevents those relations being altered in the future by a further fall. Moreover, it provides a means whereby, in case there should be a demand for currency, that demand will be supplied automatically, and not at the discretion of the Indian Government.

7. This closing of the mints, however, is only the first step in the process contemplated by the Indian Government, and that process will not be complete until gold is made full legal tender, and is received into the Indian currency as freely as gold is received in England, or as silver is now received in India. This may be effected either by the free coinage of gold at the Indian mints or by the free reception under arrangement with the Imperial Government of gold sovereigns coined in England or in Australia as legal tender currency of India. When this is done, the change will be complete, and India will then have a gold standard of value, and a gold automatic currency, the quantity of which will depend on the demand for it. What that demand may be is uncertain. Sir D. Barbour estimates the outside of the quantity needed to maintain the gold standard at 15,000,000*l.*; or one-fifth in value of the estimated present rupee currency. But, whatever the precise amount, the gold currency is not expected to be more than a small fraction of the actual currency in circulation.

8. This currency will consist of rupees, each of which is intended to circulate, not at the value of the silver contained in it, but at the value of the gold contained in the fraction of the sovereign (1*s.* 4*d.*) which it represents. With the exception of the small quantity of gold in actual circulation, the currency of India will thus become a token currency of unparalleled magnitude; and if the market value of silver should fall considerably, its value would become very much greater than the value of the silver contained in it. Under such circumstances, it will to a great extent resemble a paper currency, and, if it were not made exchangeable for gold on demand, would resemble in many respects an inconvertible paper currency. The question then arises whether it is certain that such a currency will be maintained at its gold value without further precautions.

9. It is no doubt true that, until the rupee has risen in value to this adopted ratio, the scheme will not have come into full operation, and that, when it has come into full operation, the restriction placed upon the issue of silver rupees will tend to keep the rupee currency at the fixed gold value. But it may well be questioned whether this restriction is in itself a sufficient guarantee that this gigantic token currency will, under all circumstances, be kept at par value. Sir David Barbour himself holds that eventually, if the scheme is to be successful, gold when required must be given for the rupee either without a premium or at a small premium.

10. It is, of course, obvious that a great country like India, if she undertakes a token currency, must maintain its value and discharge her obligation by making it reasonably certain that, where gold is needed in exchange for rupees, it will be possible to obtain it at the fixed ratio.

11. It has been argued that this object might possibly be effected without requiring the Government of India to give gold for silver at that ratio, and without the public confidence in their ability to do this which would arise from their accumulating and possessing a stock of gold available for the purpose. Instances may, no doubt, be selected in which Governments have maintained their inconvertible token currency at, or nearly at, par without these precautions. But a silver token currency, though not in form a promise to pay, really implies an obligation to maintain its par value; and prudence as well as experience suggest that this obligation should be supported by the obvious means of fulfilling it.

12. The obligation on the Government to coin silver rupees when the rupee is at 1*s.* 4*d.* does not in itself carry with it a corresponding obligation on the Government to give gold for rupees. It may not therefore be necessary to provide a reserve of gold before that exchange is reached. If it is not reached under the measure proposed, no gold reserve will be needed; but if the measure is operative, gold will probably flow in, and will replace silver as the reserve against the Government paper issue. If gold thus flows in automatically, the Indian Government will be thereby enabled to accumulate a moderate

reserve; but, even if it does not, a reserve should, we contend, be provided before the Indian Government takes the final step of announcing gold as the standard, coupled with the correlative obligation to give gold for silver.

13. What amount of gold reserve may be necessary it is difficult to say, but in order to have the desired effect, it must be substantial. Nor, considering that it will in all probability be generally resorted to for purposes of export, is it necessary to decide in what form or in what place it should be kept. The circumstances of India are favourable for the accumulation of the necessary stock. India imports more of the precious metals than she exports; her inhabitants no doubt possess already a stock of uncoined gold; and, if the Indian Government receive gold in payment of debts due to them, gold ought to come to their treasuries.

14. At any rate, the expense necessary to procure and retain the requisite amount is one that cannot be avoided by any Government which desires to maintain the credit of its currency, and will be insignificant compared to the loss of which the Indian Government now complain.

15. Under these circumstances, we could not join in the recommendation contained in the report without at the same time recommending that the Government of India should, in view of the ultimate adoption of the whole of their plan, be prepared to secure the convertibility of their token silver currency, and should with that object accumulate a sufficient reserve of gold.

16. We think it right to add that the questions whether gold has become more valuable in itself or silver less valuable in itself, or whether both movements have taken place, and to what extent each movement has gone as well as the further question between bimetallism on the one hand and a universal gold standard on the other, are questions of which we have taken no notice, as we do not think that they fall within the scope of the reference to us.

T. H. FARRER.

R. E. WELBY.

While cordially concurring with the views of my colleagues so far as they support the proposals of the Government of India, I should have preferred to approve those proposals without imposing the condition that the closing of the mints should be accompanied by an announcement that rupees will be coined in exchange for gold at the ratio of 1*s.* 4*d.*

It will be admitted that in a matter of this kind the minimum of State interference is desirable.

The only excuse for any action on the part of Government is that the evils from which they are suffering are becoming intolerable, and that, apart from the closing of the mints, no practical remedy has been proposed or is attainable.

In my opinion the proper course for Government to adopt is to issue a proclamation to the effect that,—

Having regard (1) to the redundancy of silver money in India as evidenced by the accumulation of rupees and paper currency in the banks, and (2) considering the uncertain policy of other nations with respect to silver, the Governor General in Council has resolved to suspend for the present the coinage of silver.

One effect of such a measure must necessarily be that the London exchange banks in tendering for Council bills will be compelled to quote the price in sterling which they are willing to pay. Another probable effect will be that gold will be sent to India in increased quantity on private account in order to be exchanged into rupees; and it appears to me that the price in each of these cases, when extended over a considerable period of time, and after a certain degree of stability has been attained, will afford the best guide to Government in estimating the gold value of the rupee, whenever they are called upon to open their mints to the coinage of gold.

The Government of Austria-Hungary closed their mints to the free coinage of silver in 1879, but did not declare a ratio between gold and silver till 1892. It seems likely that an interval of time more or less prolonged may elapse before the Government of India will be in a position to declare a ratio, having regard to the great uncertainty of the effect which its action may produce upon the rate of exchange.

I prefer to leave full discretion to that Government to take such measures as occasion may require and experience may dictate, subject to the consent of the Secretary of State in Council.

I fear that any arbitrary action on the part of Government in a matter respecting which it is impossible that all the facts can be present to their consideration might lead to reclamations both from the public creditor and from others whose interests depend upon Indian exchange, and I am unwilling to take the responsibility of attempting to fix a rate if the object can be practically accomplished by the natural action of the market.

Moreover, I fail to see what advantage would be gained by selecting the ratio of 22·37 to 1 (one and fourpence the rupee) rather than that of 18·22 to 1, which has been adopted with apparent success in Austria, or that which is in use among other nations.

If contrary to expectation exchange should rise suddenly in an inconvenient degree, I would meet the difficulty in the way proposed by the Government of India (quoted at paragraph 47 of the Committee's Report) by declaring that English gold coins shall be legal tender in India at a rate to be fixed by them

B. W. CURRIE.

LEGISLATIVE DEPARTMENT.

101.] ABSTRACT OF THE PROCEEDINGS OF THE COUNCIL OF THE GOVERNOR GENERAL OF INDIA ASSEMBLED FOR THE PURPOSE OF MAKING LAWS AND REGULATIONS UNDER THE PROVISIONS OF THE ACTS OF PARLIAMENT 24 & 25 VICT., CAP. 67, & 55 & 56 VICT., CAP. 14.

The Council met at Viceregal Lodge, Simla, on Monday, the 26th June, 1893.

PRESENT:

His Excellency the Viceroy and Governor General of India, G.C.M.G., G.M.S.I., G.M.I.E., *presiding.*

His Honour the Lieutenant-Governor of the Punjab, K.C.S.I.

His Excellency the Commander-in-Chief, K.C.B., G.C.I.E., V.C.

The Hon'ble Sir P. P. Hutchins, K.C.S.I.

The Hon'ble Sir D. M. Barbour, K.C.S.I.

The Hon'ble Sir A. E. Miller, KT., Q.C.

The Hon'ble Lieutenant-General H. Brackenbury, C.B., R.A.

The Hon'ble Sir C. B. Pritchard, K.C.I.E., C.S.I.

The Hon'ble J. L. Mackay, C.I.E.

The Hon'ble A. S. Lethbridge, M.D., C.S.I.

The Hon'ble W. Mackworth Young, C.S.I.

NEW MEMBER.

The Hon'ble MR. YOUNG took his seat as an Additional Member of Council.

INDIAN COINAGE ACT, 1870, AND INDIAN PAPER CURRENCY ACT, 1882, AMENDMENT BILL.

The Hon'ble SIR DAVID BARBOUR said:—"I have an important Bill to introduce which affects the Indian monetary standard; and as it is essential that the Bill should, if approved, be passed at the present sitting of this Council, I beg that the standing orders may be suspended."

His Excellency THE PRESIDENT declared the Rules to be suspended.

The Hon'ble SIR DAVID BARBOUR said:—"I now move for leave to introduce the Bill, which is intended to amend the Indian Coinage Act, 1870, and the Indian Paper Currency Act, 1882, with the object of altering the Indian monetary standard from silver to gold. It is not intended to do more at present than stop the free coinage of silver at the Indian mints, and, as a provisional arrangement, to provide for the issue of rupees at those mints in exchange for gold at the rate of 1*s.* 4*d.* per rupee. The making gold coins legal tender, the settlement of the permanent rate of exchange between gold and the silver rupee, and the other measures necessary for the final and effective establishment of a gold standard in India, will be provided for by future legislation and in the light of future experience.

"If it had fallen to my lot to introduce this Bill some twenty years ago, I have no doubt that it would have been received with some surprise, and would have met with considerable opposition. It certainly would have been necessary for the mover of such a Bill to explain at great length the nature of a monetary standard, the dangers which might be expected if India maintained the silver standard, and the advantages to be gained by substituting gold for silver, and it would have been difficult at that time to have brought forward arguments in support of so momentous a change which would have commanded general assent.

"The events of the last twenty years and the discussions to which they have given rise have, however, greatly simplified my task. We are only too familiar with the evils from which we have suffered in recent years, and the gloomy prospects before us, if we retain the silver standard, are fully recognised.

"Nevertheless, the question of the monetary standard is surrounded by so many difficulties, and the change which it is now proposed to make will have such far-reaching results, that I must trespass on the patience of the Council while I review, as briefly as may be, the history of the use of the precious metals as money, and show in what way, and under what circumstance, we have arrived at our present position; what lies before us if we retain the silver standard; and why it is that Her Majesty's Government and the Government of India have come to the conclusion that we must attempt the formidable task of altering the Indian monetary standard from silver to gold.

"Very many articles have been used as the standard of value in different countries and at different times, but for reasons which will be found in any work on Money, and which I need not enumerate, gold and silver were soon discovered to be the best materials for use as a standard of value and medium of exchange in countries which had any pretensions to civilization, and they came to be known, in a special sense, as the precious metals. There is no doubt that in the first instance they passed from hand to hand by weight, as they still do in many parts of China.

"In countries where both metals circulated in this manner trouble and confusion arise, as they have arisen in the present day, from variations in the relative value of the two metals. The rulers of such countries found it necessary to declare the ratio of exchange at which gold and silver would be received in payment of taxes or tribute. The ratio which was declared was not an arbitrary ratio, but was approximately the market ratio of the day, and the object of declaring it was to prevent disputes between the persons who collected taxes and those who paid them, and no doubt also to get rid of the risk of fraud on the part of the tax collectors. The fixing of a ratio had, as we now know, a remarkable influence under certain conditions in preventing or limiting fluctuations in the relative value of the two metals and producing comparative stability, and the practice to which I have just referred is the origin of what has been known in recent years by the somewhat awkward name of bimetallism—a system which has prevailed, in a more or less imperfect form, from the earliest times up to a very recent period.

"I shall have occasion to refer at a later period to this system of using both metals at a ratio declared by authority; but for the present I pass to the next great step in the development of the standard of value and medium of circulation, namely, the introduction of the practice of coining. I need not enlarge on the advantages which resulted from the introduction of this reform, as the convenience is obvious of having the weight and fineness of the pieces of metal in daily use as the circulating medium certified by authority.

"One invention leads to another, and from the introduction of the practice of coining and of the issue of coined money by authority sprang the idea of legal tender.

"In very early times a creditor could demand his shekel of fine silver, but subsequently he became entitled under the law only to what the ruler of the country or his officers certified to be a shekel of fine silver.

"The most valuable inventions are liable to be abused, and the invention of coined money issued as legal tender has not proved an exception to the rule. As rulers in early times were subject to little restraint, and not usually more enlightened than their subjects, they were readily induced to make a profit by certifying, as (say) a shekel of silver, a coin which contained less than the full quantity of metal. It was an easy transition from a debased coin to a coin made of a totally different metal, and from that to something which was neither coin nor metal.

"The best example of proceedings of this nature with which we are familiar in the present day is the issue of what is called inconvertible paper money, or, in other words, pieces of paper which the Government of the day declares to be legal tender, but which are not convertible into coin, and which depend for their value partly on the limitation of the quantity issued, and partly on the hope that they may some day be made convertible into coin on demand.

"I have now shewn that the progress towards a monetary standard, as the phrase is understood in the present day, has consisted of a few simple steps which, however, required thousands of years for their accomplishment and for the general recognition of their utility.

"Among these steps was the fixing of a ratio, or rather the declaring by authority of the existing ratio, between gold and silver with the object of facilitating monetary transactions in countries where both gold and silver money circulated. This practice had an important secondary effect in tending to maintain stability of relative value; it has only been generally abandoned during the last twenty years, and it is the abandonment of this system which has plunged us into our present difficulties in India. It is useless for us to discuss at the present time whether that change of practice was or was not a beneficial reform, or whether or not it could have been avoided. There are those who hold that the change was, or will be, beneficial, and that it was an inevitable step in the progress of the world towards a perfect monetary standard. There are others who hold that it was a rash and dangerous innovation, and that the sooner we retrace our steps the better.

"I express at the present time no opinions on this question; it is sufficient for our purpose to note the fact that the change was made; that serious consequences have flowed from it which were not foreseen; and that it has plunged India into a sea of monetary troubles.

"The Government of India have failed in their efforts to induce the great nations of the world to establish the old system, and it is not the business of practical statesmanship to waste time in vain regrees for what might have been in the past, but rather to accept the inevitable and devote attention to making the most of the present and the future. As, however, this important departure from the old system of double legal tender has had such serious consequences during the past twenty years, as the consequences of the change are not yet exhausted, and as it is this change which has led to the present proposal to alter the Indian standard from silver to gold, I consider it necessary to note, as briefly as I can, the course of events which led up to it and brought it about.

"In the middle ages the monetary standard of England was silver, and it was not till the reign of Edward III that a successful attempt was made to put gold coins into circulation; but from that time both gold and silver coins continued to circulate in England, the ratio of exchange between them being declared from time to time by Royal authority. The legal standard of the country continued to be silver, but coins of both metals were in circulation and were frequently debased, and the ratio of exchange altered.

"What I have just said of England might, I believe, be said with equal truth of most European countries at that time. The inconvenience and loss to honest traders must have been enormous, and such as would not be borne for a day at the present time. Business was, however, conducted on very different principles from those which now prevail; the margin of profit was larger, and those who made their living by trade and commerce had to take things as they found them, since they possessed no means of applying a remedy. Our gigantic modern system of manufacture, trade, and finance would have been simply impossible under such standards of value as the traders of former times had to accept.

"Among other fallacies which prevailed in those days, it was commonly held that the wealth of a country depended on the quantity of gold and silver money which it contained. The measure of wealth had come to be mistaken for the wealth itself. It was quite a common practice for a ruler to deliberately overvalue the gold coins with the intention of attracting gold from foreign countries, and great surprise was experienced when it was found that the over-valuation of gold necessarily involved the under-valuation of silver, and that,

though gold was attracted by this device, silver was exported to an equal extent, and no alteration was effected in the aggregate quantity of gold and silver contained in the country. Laws were passed against the export of both gold and silver, but such laws were, of course, easily evaded.

"It is difficult to imagine a more exasperating state of things than that under which both gold and silver circulated in different countries at rates fixed independently by the ruler of each country and altered from time to time with the object of attracting gold or silver from neighbouring countries. These evils appear to have reached their climax in England in the reign of James I. There is no doubt but that the large influx of silver from America after the year 1545 tended to lower the value of that metal, but it has always seemed to me that the great alteration in relative value which took place between 1620 and 1650 was largely due to the meddling with the legal ratio which took place in England and adjoining countries at that time. There was no such alteration in the relative production of the two metals during those years as would suffice to account for it.

"After 1660 there was no serious fluctuation in relative value down to comparatively recent times—a fact which I ascribe to the growing recognition of the futility of attempting to attract the precious metals from other countries by altering the legal ratio.

"In the reign of William III, however, events occurred which have had a most important influence in shaping the monetary policy of Europe in the present century, and which require special notice. In that reign the currency of England fell into the most extraordinary state of confusion owing to the fraudulent clipping of the silver coin, and the gold coins commanded a very high premium for a time. When the debased coins were called in and new and full-weight coins were issued in their place, great trouble was experienced in reducing the premium on guineas. This premium was gradually brought down by executive order, but the final order left the guinea overvalued as compared with the silver coins, with the inevitable result that the new and full-weight silver coins were exported, and the currency of England became gold coins, supplemented by light-weight silver coins which it was not profitable to export. The legal standard of the country continued to be silver.

"This state of things lasted till 1798, when the value of silver fell relatively to gold, and it once more became profitable to bring silver to the mint to be coined. By this time the English people had become accustomed to the use of gold, and an Act was passed expressly prohibiting the free coinage of silver. In the beginning of the present century the currency of England was composed of inconvertible and depreciated paper, and when, after the close of the great war with Napoleon, a return was made to specie payments, the legal standard of England was declared to be gold, mainly, I believe, on the ground that by their use of gold instead of silver for over 100 years the English people had shown their preference for that metal. That the people preferred gold to silver as currency at that time was probably correct, but that preference arose from their having been accustomed to use gold for over 100 years, and they were accustomed to use gold because gold had been overvalued in the first instance, and not, as has been sometimes said, because they were originally so strongly attached to gold that debtors preferred to pay their debts in gold at a loss to themselves rather than use silver. There never has been in the history of the world, and there never will be until human nature ceases to be what it is, a case in which of two sets of coins circulating side by side the dearer will drive out the cheaper.

"The formal adoption of the gold standard by England had no appreciable effect on the relative value of the two metals, because the majority of nations still adhered to the silver standard, and the system of double legal tender prevailed extensively, especially in France, where there has always been a great store of the precious metals.

"This state of things lasted till the year 1873, and, notwithstanding the great increase in the production of gold owing to the discoveries in California and Australia, the disturbance in value was comparatively slight. So great

was this stability that its continued existence came to be accepted almost as a law of nature, which would never be broken; and an eminent Economist—Professor Cairnes, of whom I desire to speak with the greatest respect—actually placed the following opinion on record in the year 1872:

'I may now say (1872) that I am disposed to assign much less importance to this question of a change in the monetary standard of India than I did when the above passage was written. The reasoning assumes the probability of a serious divergence in the relative value of gold and silver, but I now believe that such a divergence is practically out of the question.'

"I call special attention to the fact that this opinion was placed on record by one of the ablest Economists of the present century in the year 1872, or, in other words, just before the beginning of those fluctuations in the relative value of the precious metals, and of that depreciation of silver as compared with gold which have brought this country within a measurable distance of bankruptcy. We can now see that in reality the position in 1872 was full of danger. Gold and silver were both used as standard money, and divided the monetary work of the world between them; for a long period there had been comparative fixity of relative value between the two metals, but the causes of this steadiness, the importance of maintaining it, and the readiness with which it could be destroyed were practically unrecognised and unknown.

"On the other hand, the eminence which England—the sole gold-using country of any importance—had attained in manufactures, commerce, and finance had unconsciously led many people to believe that there must be some special virtue in the gold standard; and as there seems to be a prejudice in favour of the metal which contains most value in little bulk, and gold had become relatively much more abundant than in former times, the monetary system of the world was in what may be termed a state of unstable equilibrium, and we were on the eve of changes which have produced a monetary revolution which is still in progress, and the force of which is far from being exhausted.

"We all know how the change was brought about. Germany altered her standard from silver to gold. France and the other States of the Latin Union closed their mints to silver. The United States, where the currency was for the time inconvertible and depreciated paper, abandoned the system of double legal tender—a change which had the most serious results when a return was made to specie payments.

"Other nations followed in the same direction, and in India we were suddenly brought face to face with the great currency problem in the most disagreeable form by finding that the gold prices of silver fell, while the exchange on England went down and became subject to excessive fluctuations.

"It so happened that I was employed in the Finance Department of the Government of India at the time, and my recollection is that, in the first instance, the general impression was that the mischief was due to the great Comstock Lode, which was supposed to be pouring out unlimited quantities of silver. Discussions and enquiry followed, and gradually it came to be recognised that probably the most momentous currency change that has ever taken place had been carried out with, I may say, the most complete failure on the part of the civilised world to recognise the nature of the change or to appreciate the consequences that must follow. The question has been investigated by a Special Committee of the House of Commons and by a Royal Commission. It has formed the subject of three International Conferences and given rise to a flood of currency literature. I will not say that no progress has been made in the education of the public mind, for I am satisfied that very much light has been thrown on the problem by the discussions that have taken place during the last twenty years. But, I am sorry to say, increase of knowledge has not led to unanimity of opinion, and, what is more to be regretted, it has not led to the application of any remedy.

"The disputants may roughly be divided into two camps—those who urged that the world should return to the old system of double legal tender, and those who maintained that financial salvation was not to be found outside the pale of monometallism. The thorough-going monometallists advocated the

gradual extension of the single gold standard to the whole civilised world, silver having become, in their opinion, a discredited metal, no more worthy to be treated as a standard of value than cowries or cockle shells. Another, and I believe a larger, section of the gold camp favoured the adoption of the gold standard by one-half the world, and of the silver standard by the other. The latter proposal always appeared to me to be wanting in the elements of finality. It would have left the civilised world exposed to the evils of a break of monetary gauge, and I was unable to discover any good principle on which it could be decided what countries should adopt the gold standard and what countries should adopt the silver standard, or how a country could be prevented from deserting from one standard to the other with all the attendant monetary disturbance which necessarily results from such changes.

"It was said at one time, and I believe quite seriously, that all the rich countries should choose gold and the poor ones silver. It is instructive to form a mental picture of the proceedings of an International Conference assembled for the purpose of settling the monetary affairs of the world in accordance with this remarkable principle. Unanimity of opinion would, for the first time in the history of such conferences, be secured, but it would be secured by the representative of every nation declaring that he appeared on behalf of an undoubtedly wealthy and solvent community, and one that was determined to march in the van of civilization. If by any accident a nation could have been found willing to admit that it was too poor to enjoy the luxury of a gold standard, it would have been necessary for it, in order to maintain the currency equilibrium, to admit not merely that it was poor in the present, but that it intended to remain poor in the future, as any access of wealth at a future date would have involved the adoption of the more fashionable standard.

"For my part I have always recognised that there was no permanent halting-place between a return to the old system of double legal tender and the gradual extension of the gold standard to all civilized countries.

"In the very first Financial Statement which I had the honour to deliver in this Council, I made the following remark:

'It is needless to say that the question of the future relations between the gold and silver standards is one of great importance for India. The present condition is not one of permanent equilibrium. Either there will be continuous progress in the direction of demonetising silver and substituting gold, or the world will revert to the old system of double legal tender.'

"In the twenty years during which the Battle of the Standard has raged no practical measures have been taken for the purpose of restoring the old stability of value between the precious metals, and the only measure that has been adopted with the view of maintaining the value of silver is the purchase of that metal by the United States. That country has made a great effort to maintain the value of silver, firstly, by large purchases under what was known as the Bland Bill, and latterly by still larger purchases under the Sherman Act. As it happens, the purchases of silver by the United States have latterly been contemporaneous with one of those great increases in the production of that metal of which the history of the precious metals affords several examples. The Government of India have also kept open their mints, and in recent years India has absorbed a very large amount of silver. But the crisis to which I called attention in March 1889 has at length arrived. No international agreement has been obtained; Austria-Hungary and Roumania have definitely adopted the gold standard, and Russia is known to have accumulated large quantities of that metal. When I explained the financial position of the Government of India at the beginning of the current year, I had to point out that in two years the fall in the rate of exchange had added Rx. 4,142,000 to the Indian expenditure. Gloomy as was the account which I then rendered to this Council, I am far from suggesting that the case was hopeless if only we could have secured some stable rate of exchange. On the contrary, I am satisfied that if exchange did not fall below the very low figure taken in the Budget, or if it did not fall materially below that figure, there would have been no insuperable difficulty in the way of restoring financial equilibrium. But the really serious feature of the case was that there was no reason for hoping that

exchange would not fall below the very low figure of last March, and that there was and could be no guarantee against frequent and excessive fluctuations. Above all, we were exposed to the risk that the United States might suddenly cease to purchase silver. I estimate that, if these purchases were suddenly stopped, India would have to absorb a further sum of about Rx. 8,000,000 worth of silver yearly, and an additional burden of this magnitude suddenly thrown on India's trade with Europe would have a depressing effect on exchange, the extent of which it is impossible to foresee. The additional expenditure imposed on India by this cause would have brought us to national bankruptcy, or within a measurable distance of it.

"It has been urged upon me by an authority upon questions of Indian currency, and one whose opinions I highly value, that even in the case I have supposed it would be better for India to repudiate her obligations, and accept bankruptcy rather than attempt to change her standard. That opinion I do not share, although I have been a bimetallist for years, am still a bimetallist, and am by no means certain that the Battle of the Standard will be finally closed by any measure this Council may pass to-day, or even by the cessation of her silver purchases on the part of the United States of America. For weal or woe, India has entered the ranks of civilization. Her territory has been opened up by railways; the progress of human invention has brought her into close and daily contact with the great countries of the West; her trade and commerce increase year by year, and the tide has so far turned in her favour that she has made a most promising beginning in the export of manufactured goods. The adoption of the same standard of value as that of the countries with which she maintains intimate financial and commercial relations, and whom she hopes to rival, is a necessity of further progress, and the discredit of national bankruptcy cannot and will not be accepted on her behalf.

"The Government of India have striven long and earnestly for such a settlement of the currency question as would leave India in possession of the monetary standard to which she has been accustomed, and they have striven unsuccessfully. In the opinion of Her Majesty's Government, the time has come to take a new departure.

"A recital of the efforts which have been made by the Government of India during the last twenty years for a settlement of the monetary question would be a dreary catalogue of repeated failures. No practical purpose would be served by recalling them to mind at the present time; but it may not be uninteresting to the general public to call attention to the recent proceedings which have led up to that decision to establish a gold standard in India which I am now explaining to this Council.

"In the beginning of 1892 the Bengal Chamber of Commerce called the attention of the Government of India to the fluctuations in the relative value of gold and silver, and, with reference to the fact that the United States had invited the different Powers to a Conference for the purpose of considering the monetary question, the Chamber urged that the Government of India should promote an international agreement for the free coinage of gold and silver at a fixed ratio, and that, failing any such agreement, steps should be taken to have the question of a gold standard for India carefully and seriously considered by competent authorities. The Government of India practically accepted the views of the Chamber, and recommended to the Home Government, firstly, that if the United States of America or any other Government should make proposals for the holding of an International Conference for the settlement of the silver question, the strongest support should be given to those proposals; and, secondly, that if it became evident that the International Conference was unlikely to arrive at a satisfactory conclusion, and if a direct agreement between India and the United States was found to be unattainable, the Indian mints should be closed to the free coinage of silver and arrangements made to introduce a gold standard.

"An International Conference was duly held, and the representatives of India took part in it, but no conclusions, satisfactory or otherwise, were arrived at, and no separate agreement between India and the United States was concluded. In the meantime, and before the International Conference met, a Committee was appointed under the presidency of Lord Herschell to advise as

to whether it was expedient that any steps should be taken to modify the Indian Currrency Act. This is the Committee which has attracted so much attention in India, and which has recently made its report to the Secretary of State.

"It will be understood that the attention of this Committee was not directed to the question of the expediency or feasibility of obtaining a remedy by means of a general international agreement, or by means of an agreement between India and the United States, but solely to the question of the expediency of attempting to establish a gold standard in India, that being the remedy which the Government of India had advocated in the last resource, and failing the other suggested remedies. The question referred to the Committee is thus stated in the first paragraph of their report:

'The question referred to the Committee by Your Lordship is whether, having regard to the grave difficulties with which the Government of India are confronted through the heavy fall in the gold value of silver, it is expedient that Her Majesty's Government should allow them to carry into effect the proposals which they have made for stopping the free coinage of silver in India with a view to the introduction of a gold standard. And if we are of opinion that there is no sufficient ground for overruling the Government of India, but that the measures by which they propose to attain their object require modification, we are asked to offer any suggestion that we think fit for the purpose.'

"The practical measures which the Government of India had proposed for the introduction of a gold standard into India, assuming that the other suggested remedies had failed, were the following:

"*1st*, the stoppage of the free coinage of silver at the Indian mints by legislative enactment;

"*2nd*, the grant of power to the Government of India to declare by notification that sovereigns were legal tender in India at any rate not exceeding 1*s*. 6*d*. per rupee.

"It was not proposed that the mints should be opened to the free coinage of gold as soon as they were closed to silver, or that a ratio should be declared at once between gold and the rupee; but it was intended that the effect of closing the mints should be watched for some time, and, if it were found that the rate of exchange was rising to an extent which was injurious to the welfare of the country, that the Government should interfere at once and check the rise by declaring the sovereign to be a legal tender at a certain rate. The highest rate which the Government of India were to be authorised to declare under any circumstances was 1*s*. 6*d*. per rupee.

"The Committee discussed the question of a gold standard for India in all its bearings. Their Report will be published to-day in India, and to that Report I must refer those who wish for full information on the subject. They came to the conclusion that, although there are objections which possess weight to any attempt being made to introduce a gold standard into India, yet, in view of all the circumstances of the case, this is the course that should be adopted, and they proposed one modification of the scheme put forward by the Government of India. The Government of India had proposed to close the Indian mints to the free coinage of silver, to take power to declare the sovereign to be a legal tender at a rate not exceeding 1*s*. 6*d*. per rupee, and to await the result of closing the mints, and be guided by the experience thus obtained in deciding on future action.

"To these proposals objection was taken on the ground that, if the mints were simply closed and no further steps taken, there might be a sudden and considerable rise in exchange which would have injurious consequences and excite apprehension in the public mind.

"For these reasons the Committee recommended that, as soon as the mints were closed to silver, arrangements should be made for the issue of rupees at the Indian mints in exchange for gold at the rate of 1*s*. 4*d*. the rupee, and for the receipt of sovereigns at the Indian treasuries in payment of Government dues at the rate of fifteen rupees per sovereign. These proposals have been accepted by the Government of India and approved by Her Majesty's Government, and the Bill which I now propose to introduce is intended to give practical effect to the scheme.

"The Bill which I am about to introduce provides for the closing of the Indian mints to the free coinage of silver, Government retaining the power to coin silver rupees on its own account.

"The arrangements for the receipt of gold at the mints at a ratio of 1*s.* 4*d.* per rupee will be made by executive order, and so will the arrangements for the receipt of sovereigns in payment of sums due to Government at the rate of fifteen rupees for a sovereign.

"Gold coins will not for the present be made a legal tender, and consequently nobody will be compelled to receive them instead of silver rupees unless he is willing to do so.

"The Government have also abandoned their intention to take power to declare sovereigns a legal tender at any rate not exceeding 1*s.* 6*d.* per rupee.

"The ratio of exchange between gold and the silver rupee has not been finally settled. The making of gold legal tender, and the ratio of exchange as compared with the rupee at which gold shall be made legal tender, are matters which must be settled hereafter by legislative enactment and in the light of future experience."

The Motion was put and agreed to.

The Hon'ble SIR DAVID BARBOUR said:—"I now introduce the Bill, and move that it be taken into consideration at once. The provisions of the Bill are extremely simple, and the only change of any importance that it is intended to effect by means of it is to provide for the stoppage of the free coinage of silver at the Indian mints.

"As, however, the Bill, though so simple in itself, is intended to carry out a most important change in the Indian currency, I will explain its provisions in detail.

"In the first place, the Bill repeals sections 19 to 26 (both inclusive) of the Indian Coinage Act, 1870. These are the sections which provide for the coinage of all gold or silver brought to the mints by private persons. The quantity of gold brought to the mint for coinage is quite trifling; and as the gold coins now coined at the mint are not legal tender, and as they will doubtless be superseded altogether when gold is made a legal tender, it is undesirable that any more of them should be coined. This is the only change which is made in the Indian Coinage Act, 1870.

"The Bill also repeals clauses (*b*) and (*d*) of section 11 of the Indian Paper Currency Act, 1882, and the proviso to that section.

"Clause (*b*) refers to silver coin made under the Portuguese Convention Act, 1881; and, as that Convention has come to an end, the clause is no longer required.

'Clause (*d*) provides for the issue of notes by the Department of Paper Currency in exchange for silver bullion or foreign silver coin, and, if it were retained, it would permit of rupees being obtained for silver as at present.

"The stoppage of the free coinage of silver at the Indian mints necessarily involves the repeal of clause (*d*), and the proviso ceases to have any meaning when clause (*d*) is repealed.

"In section 12 of the same Act an allusion to clause (*b*), which is now repealed, is struck out.

"Section 13 of the Indian Paper Currency Act provides for a portion of the metallic reserve of the Paper Currency Department, not exceeding one-fourth, being held in the form of gold. As the standard of India will in future be gold, the limitation of one-fourth is no longer required, and so much of the section as limits the proportion of gold to one-fourth is repealed. Sections 14 and 15 of the Act are entirely repealed. They refer to bullion or foreign coin tendered under section 11, clause (*d*), or section 13, and they are no longer required, because clause (*d*) of section 11 will now be repealed, and because it is not intended for the present that private persons should be allowed to tender gold for notes under section 13.

"Certain alterations are also made in sections 21 and 28 to bring these sections into accord with the Act as now proposed to be amended.

"I may here mention that a notification will be issued under authority of section 13 of the Paper Currency Act, 1882, as now amended, providing for the issue of notes by the Paper Currency Department in exchange for gold on the requisition of the Comptroller General. The object of this notification is to enable that officer to pass gold into the Paper Currency reserve if it should accumulate to an inconvenient extent in the Government treasuries.

"A notification will also be issued under executive authority authorising the public treasuries to receive sovereigns of current weight in payment of Government dues at the rate of fifteen rupees for one sovereign.

"Another notification will be issued under the same authority authorising the Masters of the Mints at Calcutta and Bombay to issue, under suitable conditions, silver rupees for gold at the rate of one silver rupee for 7·53344 grains Troy of fine gold. This corresponds to an exchange of 1*s.* 4*d.* per rupee.

"These three notifications will be issued as soon as the Bill is passed.

"Before calling on the Council to pass the Bill, it will be well that I should notice briefly some of the objections which have been taken to the introduction of a gold standard into India. These objections have been very fully discussed by the Committee of which Lord Herschell was President, and the arguments for and against the proposal to introduce a gold standard into India will be found stated at length in their Report.

"It has been said that the divergence in the relative value of gold and silver is due to the appreciation of gold and not to the depreciation of silver; and, if this be the case, it may fairly be argued that the introduction of a gold standard into India is wholly unjustifiable.

"With regard to this argument, I have a preliminary observation to make. The words appreciation and depreciation as applied to the standard of value are ordinarily used without a precise meaning being attached to them. They are words which I would rather not use at all if their use could be avoided, but in answering the argument to which I have just referred I must employ them, and I wish it to be understood that for present purposes I attached to them the somewhat indefinite meaning which is usually given to them. In other words, by appreciation or depreciation of the standard of value I intend to denote a rise or fall in value due to causes primarily affecting the metals themselves rather than the commodities of which the price falls or rises as the standard appreciates or depreciates. Using the terms in this sense, I have to remark that when gold and silver alter in relative value, it does not necessarily follow that the whole change is due to the appreciation of the one metal or the depreciation of the other. There may be simultaneously appreciation of one metal and depreciation of the other, or a metal may appreciate at one time and depreciate at another. I must say that it does appear to me that there was appreciation of gold after 1873 rather than depreciation of silver. There was a greatly increased demand for gold at that time, while the production was rather falling off, and there was a very great fall in prices. These facts seem to me to point very clearly to appreciation of the gold standard, and there are other arguments leading to the same conclusion which I need not enumerate at present. On the other hand, there is equally good evidence that silver has depreciated during the last few years. Notwithstanding the fall in the price of that metal, the total production has continued to increase rapidly, and, notwithstanding the fall in exchange, the imports of silver into India are larger than before. There has also been a distinct tendency during the same time towards a rise in Indian prices, and many complaints have been heard from persons on fixed incomes.

"The introduction of a gold standard at the present time may, therefore, be more correctly described as a measure intended to stop the present process of depreciation rather than as causing appreciation.

"It may, of course, be argued that there is likely to be an injurious appreciation of the gold standard in the future, and here we enter on very debatable and

speculative ground, and there is really no means of coming to a positive decision either one way or the other. The question appears to me to resemble those problems that certain people are so fond of putting forward, such as what will happen when all the coal in the world is used up. It is not possible to arrive at any conclusion on such questions, and from a practical point of view they possess little interest for us. If it is the case that the entire store of coal will in time be exhausted, we possess no means of averting that result, and we had better leave the problem to those who will be affected by such a calamity. At present the production of gold is increasing, and there appears every prospect of its continuing to increase for some years at any rate. Whether in the long run demand will outstrip supply to such an extent as to cause an injurious appreciation of the standard is one of those questions affecting the future which we have no means of deciding, and with which we need not concern ourselves.

"If gold does appreciate, we shall at any rate be no worse off than the other nations which have adopted that standard; on the contrary, we shall be better off, for we shall have escaped any appreciation which may have occurred in the last twenty years.

"Another objection is that with an overvalued rupee there will be great risk of false coining. I do not say that there will be no risk of false coining, but the experience of countries in which the silver currency has been overvalued for a number of years shows that this danger has been exaggerated. False coining on a small scale is not very profitable, and would not be productive of much mischief so long as the coins were made of good metal. False coining on a larger scale could not be carried on without the use of expensive machinery, and is practically impossible. In any case, if there is to be false coining it will affect other countries long before it becomes common in India. The inducement to manufacture and issue false coin is the amount of profit to be made, and the amount of profit will be much greater in America, France, England, and other countries than it will be in India, because the silver coins will be overvalued to a greater extent in those countries than they will be in India.

"It has also been said that if India has a gold standard, the countries which retain the silver standard will have an advantage over India in the production of commodities for export. I attach no importance to this argument so long as the Indian standard is in itself a good one. A sudden rise in exchange will injuriously affect certain industries for a time. A sudden fall in exchange may give them an undue amount of profit and supply a temporary and artificial stimulus. But the principles which regulate international trade rest on a totally different basis, and it seems to me an obvious truism that our manufactures and our commerce will advance more rapidly under a system which gives India the same standard of value as her principal customers than they could possibly do under a system which gives us one standard of value and our chief customers a different one, the two standards varying in relative value from time to time in a manner which defied calculation.

"There remain certain objections which appear to me to possess weight.

"There is no doubt that the making of the rupee a token coin will be a source of loss and inconvenience to persons in India who possess uncoined silver, and that the adoption of a gold standard by India will injuriously affect to a greater or less degree our trade with silver-using countries beyond sea, our trade with the Native States of India, and our frontier trade with Foreign States.

"The answer to these objections is that the question of the adoption of a gold standard must be decided not with reference to any one consideration, or to a limited number of considerations, but after a careful examination of all the circumstances of the case, and that we must decide where the balance of advantage lies and act accordingly. It is true that persons who hold uncoined silver will lose; but, on the other hand, the same persons generally hold rupees also, and in respect of their coined silver they will gain. If our trade with silver-using countries will be injuriously affected, our trade with gold-using countries will be beneficially affected in a corresponding degree; and the latter branch of our trade is much larger and more important than the former. It is more than probable that some of the silver-using countries with which we trade

will also adopt the gold standard, and as time goes on the tendency will certainly be in that direction if we succeed in establishing gold as the standard of India. It is also quite possible that some or most of the Native States of India may decide to adopt the gold standard; and our land trade with foreign countries is not very important, and is subject to so many drawbacks already that a difference of standard will be anything but an insuperable obstacle.

"There is one difficulty connected with the introduction of a gold standard into India which requires special notice. When the Indian mints are closed to the free coinage of silver, the currency of India will become a token currency of unparalleled magnitude without a reserve of gold, and this currency will be liable to have additions made to it by rupees being returned to India from the various foreign countries in which they now circulate, and by rupees being transferred from the hoards in which they are now held.

"Under such circumstances it may well be asked whether it will be possible for us to make the gold standard effective at once. In other words, will the rupee be worth as much as 1*s.* 4*d.* from this day forward?

"To this question I cannot give a confident answer, and I do not believe that it is possible for any one to do so. I have no doubt but that rupees will be returned from foreign countries; but I do not think the amount so returned will be excessive. There is some risk of large quantities of rupees being thrown into the circulation from hoards, and I was formerly of opinion that the probability of this course being followed amounted to a serious danger. In recent years I have attached less importance to this aspect of the question. I think that the process of bringing rupees out of the hoards in which they lie would in any case be slow; that it might never take place on any considerable scale; and that the risk would be greatly lessened if the business of establishing the gold standard be so managed as to maintain confidence and prevent panic. It may be that the gold standard can be made effective from the first, though it will not be secure until there is a considerable amount of gold in our treasuries and banks. Or it may be that the making of the gold standard effective, and the establishment of it on a secure basis, will involve a long and arduous struggle and necessitate heavy sacrifices. Time alone can show which view is correct. But whatever the sacrifice and trouble of attempting to establish a gold standard may be, they must be faced, and the object we have in view is one which would, I submit, justify us in running even greater risks. Our present position is not such that we can avoid risk and loss by avoiding action, and an attempt on our part to permanently maintain the silver standard under present conditions would, in my opinion, involve peril to this country of the most serious character."

The Hon'ble MR. MACKAY said:—"I have had occasion to say a good deal on the Indian currency question during the past year or two, and I do not consider it necessary to say more at this time; but I cannot give an altogether silent vote on such an important Bill as that now before Your Excellency's Council.

"I am completely in accord with the provisions of the Bill just introduced by the Hon'ble Sir David Barbour, and with the greatest deference I venture to congratulate Your Excellency on having succeeded in bringing forward a measure which will have the effect not only of restoring the finances of the country to a satisfactory condition, but which will also impart to trade and commercial transactions that legitimate amount of certainty of which they have been deprived for the past twenty years. The measure at the same time relieves the country of that dread of additional and seriously disturbing taxation which has been weighing upon it for some time past. I look forward to a new era of prosperity and progress for India, and also to a great development of the resources of the country through the attraction which will now be given to British capital, and I look upon the assimilation of the English and Indian standards of value as a removal of the only barrier which has hitherto prevented India from taking her place amongst the great commercial and industrial nations of the world. It would have been well for India had the step taken by Your Excellency's Government to-day been adopted fifteen years ago. In the interval not only has the natural progress of the country been retarded, but actual and serious injury has been inflicted on many

important interests. However, it is useless to look back with regret on what might have been. We are content to accept the benefit, late as it is, which is now at last being conferred upon the country, and we look forward to the future with renewed hope and confidence."

The Motion was put and agreed to.

The Hon'ble SIR DAVID BARBOUR said:—"I now move that the Bill be passed, and in so doing I wish to add a few words, by way of caution and advice, to what I have already said. It is impossible to exaggerate the importance of the step which Her Majesty's Government and the Government of India have taken in deciding to establish a gold standard in India; but that step has been taken after the fullest discussion and with a deep sense of the responsibility which has been incurred. It is the intention of the Government of India to carry the measure to a successful issue if it be within their power to do so, and I trust that they will receive the unswerving support of the Indian public in the course which they have adopted—a course which was adopted in the belief that it was essential to the welfare of the whole Indian community.

"If it should happen, as it may, that the gold standard is effectively established in India from this day, I desire to urge that no undue elation should be exhibited, and that no precaution should be relaxed. The change of the Indian monetary standard is a measure which will have far-reaching and possibly unexpected results; and the gold standard cannot be considered to have been securely established in India until it has stood the test of time, and borne the shock of those financial storms which sometimes arise in the clearest skies. On the other hand, I would equally urge that we should not give way to alarm and despair if we should find ourselves confronted with serious and unexpected difficulties. The measure which we are engaged in carrying out has been adopted both with a full knowledge that serious difficulties might be encountered, and with a firm determination to overcome them if it be within our power to do so. The secure establishment of a gold standard in India may be a work of time, and may involve heavy sacrifices; but what other road to safety is open to us? We all know the troubles that have been brought upon this country during the last twenty years by the difference of standard between India and England. Are we prepared to face another such period, and are our troubles likely to be less if we go back to the old state of things after hastily abandoning the attempt to establish a gold standard?

"It has sometimes appeared to me that there were persons who held the opinion that the establishment of a gold standard would be a source of endless wealth to the Government of India. I know no good foundation for that belief. I hope and believe that the establishment of a gold standard will relieve the Government of India from an ever-growing cause of expenditure and from harassing fluctuations, and that it will promote the general welfare of the community. But the gold standard is not in itself a source of income, and it will be as necessary under a gold standard to practise the old-fashioned virtues of economy and prudence as it was under the silver standard, and the neglect to do so will involve the same consequences in both cases. I will even go further and say that economy is specially incumbent on the Government of India during the next few years. Confidence is a plant of slow growth in the financial world, and the people of India are apt to distrust anything that presents a novel appearance. If the public lose confidence in the success of our measures, the difficulties of establishing and maintaining the gold standard will be enormously increased.

"There are two lines of policy by which I think it is possible to promote confidence, and I earnestly commend them to those who may be entrusted with the management of the Indian finances during the next few years. The first is to take care that each succeeding year shall close with a substantial surplus, and the second is to avoid at all hazards any increase of the home charges.

"I am afraid there is not much originality in these recommendations, but they are the best which one-and-twenty years' experience of Indian finance enables me to offer."

His Excellency the PRESIDENT said :—" I should like to say a few words before I put the motion to the Council.

" We shall not, I trust, be considered open to criticism because we are disposing of this question—one of the most important which has ever come before the Legislature of this country—without going through the usual forms of our legislative procedure, and in the absence of those Additional Members of Council who do not happen to be in Simla. It will be obvious to every one that, for reasons upon which I need not dwell, the decision which has been arrived at must be carried out forthwith, and that a prolonged discussion of this Bill, or even its amendment in any essential particular, would not be admissible.

" We may, however, fairly contend that, if the question is being dealt with at this stage as if it were a matter of executive administration rather than one for the deliberate consideration of the Legislature, no question has ever been subjected to more thorough discussion out of doors than that with which we are concerned this morning. No debates in Council could be so instructive or so exhaustive of the subject as the discussions which have been proceeding in the public press and at public meetings upon the currency question during the last year or two.

" There is therefore, I venture to think, no occasion for travelling again over the old ground, or for arguing at length whether it was, or was not, safe to leave this country at the mercy of a fluctuating exchange, or whether the alleged advantages accruing to certain branches of our trade under a falling exchange were, or were not, greater than the troubles and difficulties which have already overtaken us, or than those further troubles and difficulties which would have beset us had exchange been allowed to fall to a still lower level.

" It was, I think, pretty well understood that the Government of India had some time ago arrived at a conclusion both as to the extent of the danger and as to the proper means of encountering it. The scheme, however, which we are laying before you does not rest upon our authority alone, and we are relieved from the necessity of justifying it, as we should have been expected to justify it, if it had been accepted by the Secretary of State merely upon our unsupported recommendation. We are in this position, that the proposal which we had laid before Her Majesty's Government a year ago is now accepted not only by them, but by that Committee of experts for whose verdict we have been waiting so impatiently during the last few months.

" When the composition of that Committee is considered ; when we remember how many different schools of economical science were represented upon it ; when we recollect how confidently it was predicted, even up to the last moment, that its members could not possibly agree in their conclusions ; the fact that they have found it possible to sign with practical unanimity the Report which will be published in to-day's Gazette shews, I cannot help thinking, conclusively how strong our case was, and gives to the recommendations of the Committee a weight and a force which may be described without exaggeration as overwhelming. I feel, therefore, that I should be merely wasting the time of the Council, without contributing anything to the information which will shortly be accessible to the public, if I were to attempt to add to that which will be found within the limits of Lord Herschell's Report. I will, therefore, merely venture to call the attention of those who will read that remarkable State document to one or two of the conclusions which it has established. And here let me, in the name of the Government of India, and I hope, I may say, in the name of the people of this country, express our obligation to Lord Herschell and to his colleagues for the patience and thoroughness with which they have investigated this intricate problem, and for the thoughtfulness with which they have taken into their consideration all the different aspects of a question in which so many interests and classes are concerned.

" The Report of the Committee will, in the first place, I think, render it no longer possible for any one to tell us, as we have sometimes been told, that this currency question was merely a grievance of the Indian services, or that the Government of India was interested in it only because we desired to

extricate ourselves from the embarrassment occasioned by the instability of our finances. The Report of the Commission has, once and for all, shewn that far wider issues than these are involved—issues affecting not merely certain interests and certain classes of the community, but every interest and every class throughout the Indian Empire.

"Upon the question of the effects of fluctuations in exchange upon the commerce of India the Committee speak with no uncertain voice. They report that there seems to be a common agreement amongst those who differ in their views upon almost all other points that trade is 'seriously harassed' by these fluctuations, and, after a careful examination of the arguments adduced in support of this view, they express their opinion that 'it cannot be doubted that it would be well if commerce were free from the inconveniences of fluctuations which arise from a change in the relation between the standard of value in India and in countries with which her commerce is transacted.' And with regard to the deterrent effect of these fluctuations upon the investment of capital in India, they observe that 'there can be no doubt that uncertainty as to the interest which would be received for the investment, and as to the diminution which the invested capital might suffer if it were desired to retransfer it to this country, tends to check British investments in India.' That is precisely the view which has been again and again urged with great ability by the Association over which our hon'ble colleague Mr. Mackay has presided, and which has done such excellent service in familiarizing the country with the details of the currency question. It is a view which, as I have on more than one occasion publicly said, has always seemed to me indisputably sound, and it is satisfactory to find that this view is unreservedly accepted by Lord Herschell and his distinguished colleagues.

"In another passage of the Report the Committee mention that the evidence before them points to the conclusion that during recent years the silver price of Indian produce has risen; and they add that 'if, as experience shows, wages respond more slowly to the alteration in the value of the standard, this rise in the price of produce must have been prejudicial to the wage-earning classes.' They sum up this part of the case in these remarkable words:

'The above facts give reasons for believing that the recent fall in silver, coupled with the open mint, has led India to import and coin more silver than she needs, and the worst of the evil is that it is a growing one. Every unnecessary ounce of silver which has been, or is being, imported into India is a loss to India so long as silver is depreciating in gold value, for it is, *ex hypothesi*, not needed for present use, and it can be parted with only at a sacrifice. So far as the open mints attract unnecessary silver to India, they are inflicting a loss upon the people of the country, and benefiting the silver-producing countries at the cost of India.'

"While these are the effects which have been produced by fluctuations in the rate of exchange up to the present time, the Committee leave us in no doubt that the evils which we have hitherto experienced may be as nothing compared with those still in store for us if we are content to allow matters to drift.

"The Report dwells upon the large purchases of silver made by the Government of the United States under the Bland and Sherman Acts, and upon the fact that, in spite of these purchases, the price of silver has fallen to its present low level. They go on to express their opinion that, even if no change were to be made in the currency arrangements of the United States, the experience of the past would forbid the conclusion that the price of silver would be stationary at its present level. It would, they say, under these circumstances be imprudent to act on the assumption that no further fall is possible, or even probable. It is, however, as we are all aware, a matter of notoriety that the early repeal of the Sherman Act is possible. The Committee dwell upon the heavy further fall which would certainly follow upon the repeal of the Act. They express their opinion that such a fall would not necessarily diminish the production of silver, and that under such circumstances 'it cannot be regarded as otherwise than within the reasonable

bounds of possibility that the repeal of the Sherman Act might lead to a fall in the price of silver of even 6*d.* per ounce or more, and that there might be no substantial reaction from the level thus reached.' 'It may,' the Commissioners think, 'be said with practical certainty that such a fall would reduce the exchange to about a shilling per rupee, and would involve the necessity of raising at least Rx. 6,612,000 more than would be required by the Government of India to effect, even at the rate of exchange of 1*s.* 3*d.* per rupee, a remittance of the amount drawn last year, namely, £16,530,000 sterling, while the payment of £19,370,000 sterling, which is the present estimate of the drawings for 1893-94, would, at 1*s.* 3*d.* per rupee, require Rx. 30,992,000, and, at 1*s.* 0*d.* per rupee, Rx. 38,740,000, involving an increase of Rx. 7,748,000.'

"These are not the gloomy vaticinations of harassed and querulous Indian officials, but the deliberately expressed anticipations of such men as Mr. Leonard Courtney, so well known as Chairman of Committees of the British House of Commons, and a recent convert to bimetallism; Sir Thomas Farrer, for many years the distinguished Secretary of the Board of Trade, and an eminent Political Economist and Free Trader; and Sir Reginald Welby, the Secretary of the Treasury, an official of exceptional experience, who had, moreover, previously been a Member of the Committee which in 1878 issued an unanimous report against another proposal founded upon the closing of the Indian mints to the free coinage of silver.

"With these prospects before them, the Committee find themselves face to face with that dilemma to which reference was made in the discussion upon the Financial Statement at Calcutta in March of the present year. It is recognised that the Government of India has to choose between a change in its currency arrangements and the imposition of increased taxation, which, if the figures which I have just cited are to be taken as a guide, might be of the most formidable and onerous character. The possibility of increasing our revenue by means of additional taxes is examined by the Committee in a series of paragraphs which I earnestly recommend to the attention of those who would have us leave the currency alone and restore equilibrium between income and expenditure by means of additions to the burdens of the country.

"The Committee say that they are not in a position to determine whether the apprehensions which have been expressed to them that increased taxation cannot be resorted to without grave mischief are exaggerated or not, but they add this very significant observation:

'It is not easy to see how the burden of the added taxation which would be requisite to counterbalance the fall in exchange could be made to rest on those who might with the most justice be subjected to it, or how the added revenue could be provided, except in a manner opposed to sound principles of taxation.'

"I think, then, that I may sum up this part of the case by saying that it has now been established almost beyond controversy that to leave matters as they were meant for the Government of India hopeless financial confusion; for the commerce of India a constant and ruinous impediment; for the taxpayers of India the prospect of heavy and unpopular burdens; for the consumers of commodities a rise in the prices of the principal necessaries of life; and for the country as a whole a fatal and stunting arrestation of its development.

"My Hon'ble Financial colleague has explained to the Council the precise nature of the proposals of the Committee—proposals which we have thought it our duty to accept—and wherein they differ from those which we had ourselves submitted to the Secretary of State.

"The scheme of the Committee may be described as being not so much an alternative to our own as a modification of it. It is our scheme with the addition of safeguards and precautions—safeguards and precautions which appear to us to be wisely conceived. The feature which both schemes have in common is the essential feature of both; both are based on the closing of the mints to free coinage with the object of eventually introducing a gold standard into India upon terms as equitable as can be devised in the interests of all concerned, and with a minimum of disturbance to the business of the country.

"I may say too that both schemes have for their main object the prevention of a further fall on the value of coined silver rather than the enhancement of its value greatly beyond the present level. The difference between the Government of India and the Committee may be said to lie mainly in this, that the Committee have given more prominence than we had given to this aspect of the case. The keynote, so to speak, of the Report is to be found in the opinion recorded in paragraph 135, to the effect that 'to close the mints for the purpose of raising the value of the rupee is open to much more serious objection than to do so for the purpose of preventing a further fall.'

"It is then mainly with the latter object that the Committee advocate putting a stop to the free coinage of silver. That is a view which will, I cannot help thinking, be generally accepted as a just and reasonable one. The step recommended by the Committee will not produce any violent disturbance of values. It will, to use the words of Messrs. Farrer and Welby, 'not materially alter the present relations between debtor and creditor, but, on the contrary, prevent those relations being altered in the future by a further fall.'

"It has also this further advantage, that it provides an automatic means whereby it will be possible to prevent the closing of the mints from leading to a sudden and violent disturbance in the rate of exchange. I refer of course to the provision that any person may hereafter bring gold to the mints and obtain for it rupees at the rate of 1*s.* 4*d.* per rupee, and that gold may be tendered in payment of Government dues at the same rate, which is equal to one sovereign for Rs. 15. I need scarcely explain that the effect of this will be that, should exchange show a tendency to rise in the open market beyond the rate originally fixed; should it, for example, rise to a ratio giving, let us say, 1*s.* 4½*d.* as the equivalent of the rupee, or something less than Rs. 15 for the sovereign, it will at once become advantageous to bring gold to the mint, and to exchange it at the full rate of one sovereign for Rs. 15. In this manner, by a self-acting process, a rise beyond the level which has been provisionally indicated will be rendered impossible so long as that limit remains in force.

"These precautions will, I hope, go far to allay the apprehensions of those who mistrust the idea of any attempt by Government to increase artificially the value of its currency. Upon the other hand, the provisional ratio which the Committee has recommended, and which may, should circumstances hereafter require it, be raised, is sufficiently high to afford the Government of India immediate and substantial relief from its most pressing difficulties. Had the ratio been fixed lower in the first instance, I do not see how it would have been possible for us to avoid adding to the taxation of the Empire.

"I would venture to ask those who take exception to the enhancement of the gold value of the rupee from the rates prevalent lately to 1*s.* 4*d.* upon the ground that such a fluctuation involves a disturbance of the markets whether this small fluctuation is comparable in its importance with those to which we have had to submit during the last few years, and to which, if we were to leave matters alone, we should, no doubt, still be exposed.

"I will only add for the benefit of those who may not have leisure to study the Report that there should be no mistake as to the following points:

"First, although we propose to introduce a gold standard, no attempt is to be made to get rid of the silver currency to which the people of this country have been so long accustomed. The experience of other countries, as to which the Report has much to say—and there is no part of it which is better worth reading—has, the Committee tell us, shown that it has been found possible by the adoption of different systems to maintain a gold standard and a substantial parity of exchange with the gold-using countries of the world without a gold circulation, without a large stock of gold currency, and even with a silver currency not legally convertible into gold. The Committee admit with the fairness which characterizes their Report that in no one of the countries of which they have cited the example has silver been so largely and so exclusively used as in India, and there can be no doubt that, as Sir Thomas

Farrer and Sir Reginald Welby have put it in their separate Report, the effect of this measure will be to give us a token currency of unparalleled magnitude. The Committee sum up this part of the case by the very reasonable observation that, although the cases of Scandinavia, Holland, Canada, the Dutch East Indies, and the countries of the Latin Union are not in all respects applicable as precedents to the case of India, the experience derived from the currencies of those countries is not without value as bearing on the questions which we have to consider.

"In the second place, it will be observed that for the present no attempt will be made to fix the legal tender price for gold. In this respect also the proposals of Lord Herschell's Committee differ from ours for reasons which have been explained by the Hon'ble Financial Member.

"Thirdly, it will be seen that the ratio recommended by the Committee is fixed provisionally and not permanently, and that the provisional ratio is well within the limits of recent variations.

"I might say more, but I feel that I cannot add usefully to what has been already said with an authority to which I cannot pretend in the Report of the Committee. I will make one other observation only. It is true that our responsibility in this matter has been, as I said at first, to some extent diminished by the fact that the measure before the Council has not only our support, but that of Her Majesty's Government and that of the Members of the Herschell Committee, but we do feel, nevertheless, very deeply the gravity of the step which we are about to take. For myself, I may say that I hold very strongly that all attempts to give a fictitious value by legislation to money or commodities are upon principle to be deprecated. The less Government has to do which such enterprises, the more we can trust to the ordinary influences of demand and supply, and to the open traffic of the markets, the better for all concerned. But a time may come when inaction is no longer possible, and when a Government would be unworthy the name of a Government if it were to stand aside and leave things to take care of themselves. We believe that such a time has come in India; we believe with Lord Herschell's Committee that a further fall in the gold value of silver is probably imminent, and that such a fall would have disastrous effects for this country if we were still to allow its mints to remain open for the receipt and coinage of any quantity of a depreciated and discredited metal. We know that other countries have discarded that metal and have prospered, and we see no reason why we should be precluded from following their example. We have borne long enough with a state of things which is becoming more intolerable with every year that passes, and which in all human probability would have become more intolerable still. We feel that, holding these views, we should be culpable if we did not attempt to place the finances of India on a more stable basis. We admit the immense difficulty of the problem and the uncertainties by which it is surrounded, and we offer this solution not as one which is ideally perfect, but as the best which can be devised.

"We are hopeful that it will afford relief not to ourselves merely or to our employés, but to the country as a whole. We are, however, far too well aware of the intricacy of the problem and of the risks attending such an experiment as that which we are about to try to take this momentous step with a light heart. In a case of this kind, the most obvious economic and scientific laws do not always prevail. You may provide for all the known factors in your calculation only to find that there are others which you have overlooked or been unable to estimate. But, in spite of these misgivings, we earnestly hope that our proposals may be fruitful of good; that the commerce of India may be relieved from an impediment which has retarded its progress; that the Government of India may be enabled to meet its obligations without adding to the burdens of the taxpayer; and that capital will flow more freely into this country without the adventitious stimulus which we have hitherto been unable to refuse. We trust, finally, that in process of time sufficient reserves of gold may be accumulated to enable us to render our gold standard effective, and thereby to complete the great change towards which we are taking the first steps to-day.

"Time only can show whether all these hopes will be fulfilled or be disappointed. In the meanwhile, I earnestly trust that even those who regard this measure with most suspicion or reluctance will give us credit for having had the courage of our opinions, and for having taken the only course which seemed to us likely to relieve this country of a burden which has, we believe, seriously affected its welfare in the past, and which would, unless we had intervened, have still more seriously paralyzed her energies and retarded her advance in the future."

The Motion was put and agreed to.

The Council adjourned to Thursday, the 20th July, 1893.

S. HARVEY JAMES,

Secretary to the Government of India,

Legislative Department.

SIMLA;

The 26th June, 1893.

102.] **LEGISLATIVE DEPARTMENT.**

Simla, the 26th June, 1893.

The following Act of the Governor General of India in Council received the assent of His Excellency the Governor General on the 26th June, 1893, and is hereby promulgated for general information:

ACT No. VIII OF 1893.

An Act to amend the Indian Coinage Act, 1870, and the Indian Paper Currency Act, 1882.

WHEREAS it is expedient to amend the Indian Coinage Act, 1870, and the Indian Paper Currency Act, 1882; it is hereby enacted as follows:— XXIII 1870. XX of 1882.

1. (*1*) This Act may be called the Indian Coinage and Paper Currency Act, 1893; and

Title and commencement.

(*2*) It shall come into force at once.

2. The enactments specified in the schedule hereto shall be repealed or modified to the extent and in the manner mentioned in the third column thereof,

Repeal of existing enactments.

but no such repeal or modification shall affect anything already done or any right or obligation heretofore acquired or undergone under the said enactments or any of them.

THE SCHEDULE.

Number, year and Short Title.	Sections.	Extent of repeal or modification.
Act XXIII of 1870 (the Indian Coinage Act, 1870).	19 to 26, both inclusive.	The whole to be repealed.
Act XX of 1882 (the Indian Paper Currency Act, 1882).	11	Clause (*b*), clause (*d*), and the proviso to be repealed.
	12	The word and letter "clause (*b*)" to be omitted.
	13	The words "to an extent to be specified in the order not exceeding one-fourth of the total amount of issues represented by coin and bullion as provided by this Act" to be omitted.
	14 and 15	The whole sections to be repealed.
	21	For the proviso to sub-section (*1*) the following shall be substituted: "Provided that any coin or bullion so received and appropriated may be sold or exchanged for gold or silver coin of the Government of India of the like value, which shall be so appropriated and set apart, instead of the coin or bullion sold or exchanged." Sub-section (*2*) to be repealed.
	28	Sub-section (*1*), clause (*f*), to be omitted. Sub-section (*3*) to be repealed.

S. HARVEY JAMES,
Secretary to the Government of India.

NOTIFICATIONS.

ACCOUNTS AND FINANCE.

MINT.

No. 2662.

Simla, the 26th June, 1893.

The Governor General in Council hereby announces that until further orders gold coins and gold bullion will be received by the Mint Masters of the Calcutta and Bombay Mints respectively in exchange for Government rupees, at the rate of 7·53344 grains troy of fine gold for one rupee, on the following conditions:

(1) Such coin or bullion must be fit for coinage.

(2) The quantity tendered at one time must not be less than 50 tolas.

(3) A charge of one-fourth per mille will be made on all gold coin or bullion which is melted or cut so as to render the same fit for receipt into the mint.

(4) The Mint Master, on receipt of gold coin or bullion into the mint, shall grant to the proprietor a receipt which shall entitle him to a certificate from the Mint and Assay Masters for the amount of rupees to be given in exchange for such coin or bullion payable at the General (Reserve) Treasury, Calcutta or Bombay. Such certificates shall be payable at the General Treasury after such lapse of time from the issue thereof as the Comptroller General may fix from time to time.

No. 2663.

In supersession of the Notification by the Government of India in the Financial Department, No. 3287, dated the 28th October 1868, which is hereby cancelled, the Governor General in Council is pleased to direct that, from and after the date of this Notification, Sovereigns and Half-sovereigns of current weight coined at any authorized Royal Mint in England or Australia shall be received in all the Treasuries of British India and its dependencies, in payment of sums due to the Government, as the equivalent of fifteen rupees and of seven rupees and eight annas respectively.

ACCOUNTS AND FINANCE.

PAPER CURRENCY.

No. 2664.

The 26th June, 1893.

In exercise of the powers conferred by the Indian Paper Currency Act, 1882, as amended by the Indian Coinage and Paper Currency Act, 1893, and of all other powers enabling him in this behalf, the Governor General in Council is pleased to direct that currency notes shall be issued by the Head Commissioner of Paper Currency, Calcutta, and by the Commissioner of Paper Currency, Bombay, on the requisition of the Comptroller General, in exchange for gold coin or gold bullion at the rate of one Government rupee for 7·53344 grains troy of fine gold. Sovereigns and Half-sovereigns of current weight coined at any authorized Royal Mint in England or Australia shall be taken as the equivalent of fifteen rupees and of seven rupees and eight annas respectively.

J. F. FINLAY,

Secretary to the Government of India.

[G. C. F.]

G. C. Press, Simla.—No. 367 C. F.—3-7-93.—1,000.

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on 01 February, 2020